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LEGISLATIVE HISTORY

Public Law 505—79th Congress

Chapter 570—2d Session

H. R. 6477

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U.S. GOVERNMENT
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INDEX AND SUMMARY OF HISTORY ON H. R. 6477

May 17, 1946. H. R. 6477, introduced by Rep. Flannagan, was referred to the House Committee on Agriculture. Print of the bill as introduced.

May 23, 1946 Hearings: House, H. R. 6477.

June 17, 1946 House Committee on Agriculture reported H. R. 6477 with amendments. House Report 2295. Print of the bill as reported.

June 24, 1946 House Rules Committee reported House Resolution 675 for consideration of the bill. House Report 2323. Print of the Resolution.

June 27, 1946 H. R. 6477 debated in the House and passed with amendments.

June 28, 1946 Print of the bill as referred to the Senate Committee on Banking and Currency.

June 29, 1946 Hearings: Senate, H. R. 6477.

Senate Committee reported H. R. 6477 with amendments. Senate Report 1634.

Debated in the Senate and passed as reported.

Print of the bill as reported with amendments, and passed.

July 1, 1946 Rep. Flannagan withdrew request for concurrence in Senate amendments.

July 2, 1946 House agreed to Senate amendment.

July 12, 1946 Approved. Public Law 505.

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79TH CONGRESS
2^D SESSION

H. R. 6477

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 1946

Mr. FLANNAGAN introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the eleventh sentence of section 32 of the Emergency
4 Farm Mortgage Act of 1933, as amended (title 12, U. S. C.,
5 1016), is amended by striking out "July 1, 1946" wherever
6 it appears therein and inserting in lieu thereof "July 1,
7 1948".

8 SEC. 2. The last two sentences of section 3 of the
9 Federal Farm Mortgage Corporation Act, as amended (title
10 12, U. S. C., 1020b) are amended to read as follows: "The

1 Federal Farm Mortgage Corporation is authorized to repay
2 to the Secretary of the Treasury on behalf of the United
3 States from time to time such portions of the amounts sub-
4 scribed to the capital stock of the Corporation as are found
5 by the board of directors to be in excess of the capital neces-
6 sary to enable the Corporation to carry out its functions as
7 authorized by law. The proceeds of such repayments shall
8 be held in the Treasury of the United States as a fund avail-
9 able for subscription, by the Governor on behalf of the United
10 States with the approval of the Secretary of the Treasury,
11 to the capital of the Corporation when, in the judgment of
12 the directors of the Corporation, additional subscriptions to
13 its capital are necessary.”

79TH CONGRESS
2^D Session

H. R. 6477

A BILL

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

By Mr. FLANNAGAN

MAY 17, 1946

Referred to the Committee on Agriculture

May
23.

AMEND EMERGENCY FARM MORTGAGE ACT AND FEDERAL FARM MORTGAGE CORPORATION ACT

HEARINGS

BEFORE

THE COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SEVENTY-NINTH CONGRESS

SECOND SESSION

ON

H. R. 6477

A BILL TO AMEND SECTION 32 OF THE EMERGENCY
FARM MORTGAGE ACT OF 1933, AS AMENDED, AND
SECTION 3 OF THE FEDERAL FARM MORT-
GAGE CORPORATION ACT, AS AMENDED,
AND FOR OTHER PURPOSES

MAY 23 AND JUNE 5, 1946

Serial L

Printed for the use of the Committee on Agriculture



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

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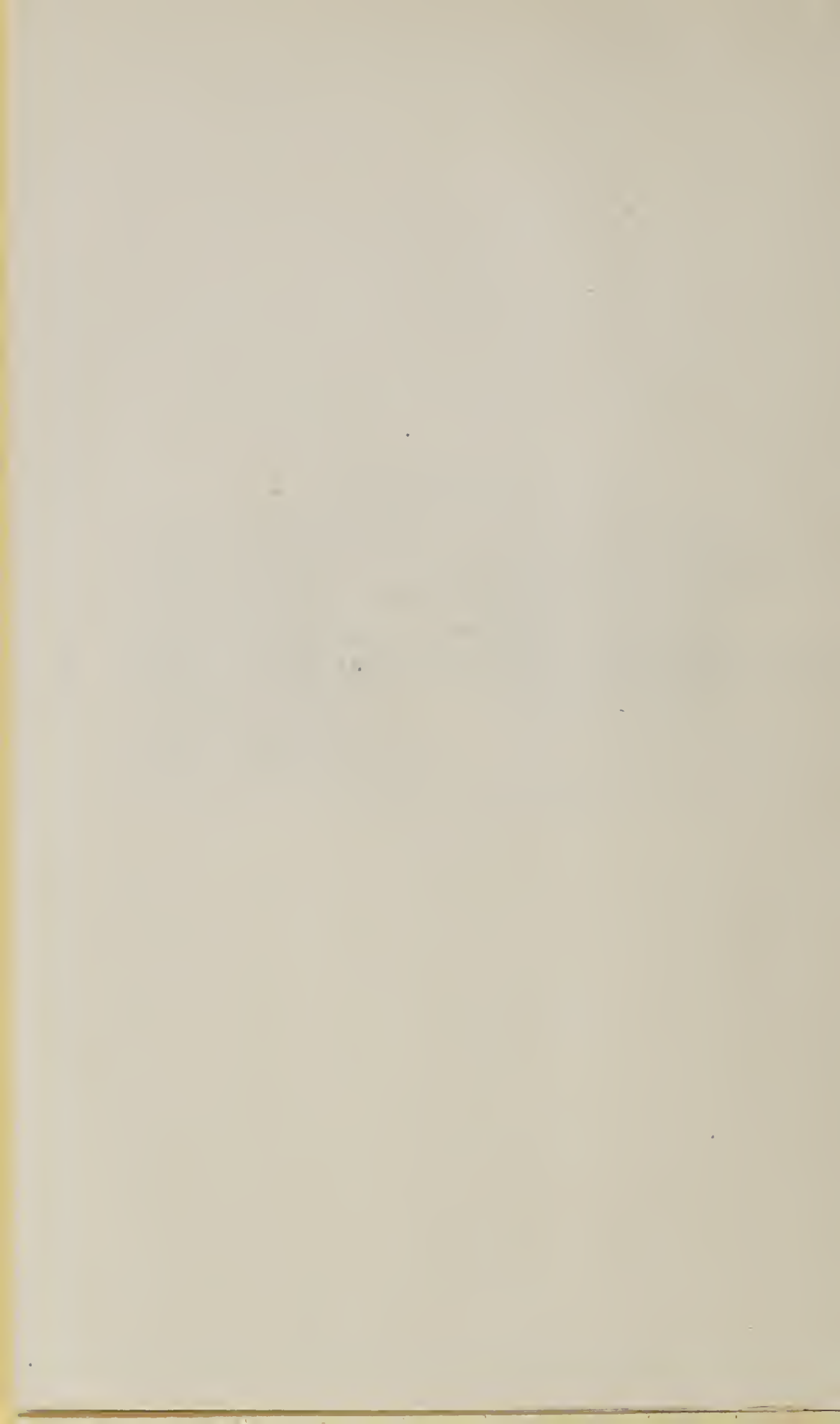
KATHERINE WHEELER, *Clerk*

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III



AMEND EMERGENCY FARM MORTGAGE ACT AND FEDERAL FARM MORTGAGE CORPORATION ACT

THURSDAY, MAY 23, 1946

HOUSE OF REPRESENTATIVES.

COMMITTEE ON AGRICULTURE,

Washington, D. C.

The Committee on Agriculture met, pursuant to adjournment, at 10 a. m., Hon. John W. Flannagan presiding.

Mr. FLANNAGAN. The committee will come to order.

We have up this morning for consideration H. R. 6477, which would extend the Commission's loan for a period of 2 years. I received from the Secretary of Agriculture this morning a report on the bill, which I will ask the Clerk to read.

(The letter is as follows:)

MAY 22, 1946.

HON. JOHN W. FLANNAGAN, Jr.,
*Committee on Agriculture,
House of Representatives.*

DEAR MR. FLANNAGAN: This is in response to your request of May 18, 1946 for a report on the Bill H. R. 6477, which would extend until June 30, 1948, the power to make Land Bank Commissioner loans through the Federal Farm Mortgage Corporation, and would authorize the Corporation to return capital to the United States Treasury from time to time, or request increases in capital, depending upon the needs of agriculture.

The Farm Credit Administration has conducted an exhaustive study to ascertain whether it would be in the interest of the farmers to have the lending authority extended along the lines indicated in H. R. 6477. This study has shown that because of lending hazards in certain areas and in many economic situations, first mortgage Commissioner loans have a definite place in the long-term mortgage field.

It appears further that second mortgage Commissioner loans, as supplementary to land bank loans, fulfill a worth-while agricultural credit need. The history of the Farm Credit System indicates that many farmers require farm loans in excess of the 65 percent of normal agricultural value that can be loaned by the Federal land banks.

Land Bank Commissioner loans should be continued because of their value to the cooperative land bank system. These loans sometimes involve special hazards. Losses caused by such special hazards would, if the loans were made by the banks, have to be borne in large part by the farmer-stockholders of the national farm loan associations. We do not believe that we have had sufficient experience to justify us in recommending that the land banks should be authorized to loan up to the 75 percent which is possible by utilizing the authority for Land Bank Commissioner loans, nor that the Federal land banks should make all of the first mortgage loans that are now being made by the Land Bank Commissioner.

Section 2 of the bill would authorize the Federal Farm Mortgage Corporation to return to the United States Treasury from time to time such portions of the capital of the Corporation as, at the time of return, were not needed by the Corporation in carrying out its functions. The proceeds of such capital are held in a revolving fund in the United States Treasury and are available for increasing

the capital of the Corporation when such increases are approved by the Board of Directors of the Corporation and the Secretary of the Treasury. This provision for depositing unneeded funds in a revolving fund in the Treasury is analagous to the legal powers with respect to the capital of the Federal intermediate credit banks, the production credit corporations, the banks for cooperatives, the Federal land banks, and the Regional Agricultural Credit Corporation. The amendment, if approved, would make it unnecessary for the Federal Farm Mortgage Corporation to have specific legislation from Congress every time a deposit is deemed desirable.

In the budget of the United States Government for the fiscal year ending June 30, 1947, Corporation Supplement, page 315, transmitted to the Congress by the President with his message of May 2, 1946 (Congressional Record, House May 2, 1946, page 4430, et seq.), it is stated, with reference to the Federal Farm Mortgage Corporation:

"The Corporation's authority to issue and have bonds outstanding up to 2 billion dollars (12 U. S. C. 1020c) appears far in excess of any foreseeable need. Legislation will be proposed to the Congress to reduce this authority to \$1,000,000,000."

In line with the message of the President, it is recommended that a new section 3 be added to the bill, H. R. 6477, providing as follows:

"The first sentence of section 4 (a) of the Federal Farm Mortgage Corporation Act, as amended (title 12, U.S.C., 1020c) is hereby further amended by striking therefrom the amount '\$2,000,000,000' and substituting therefor the amount '\$1,000,000,00'."

I am fully in accord with this proposed legislation and believe that it should be enacted into law. The Bureau of the Budget informs me that it has no objection to the submission of this report.

Sincerely yours,

CLINTON P. ANDERSON,
Secretary.

Chairman FLANNAGAN. Without objection the report from the Secretary of Agriculture will appear in the record at this point.

You know the House meets this morning at 11 o'clock and we will have very little time to go into this legislation. We have with us this morning Mr. I. W. Duggan, whom we all know, who is the Governor of the Federal Farm Credit Association.

We will be glad to hear from you Mr. Duggan.

Mr. ANDRESEN. Mr. Chairman, I should like to get Mr. Duggan's opinion on this matter.

It seems to me that when we passed legislation here increasing the amount that could be loaned under the Federal Land Bank or from the Federal Land Bank to raise the valuation, that it was then the idea that we would eventually do away with Land Bank Commission loans.

Mr. PACE. That was the understanding.

Mr. FLANNAGAN. Before we go into that let him make his statement.

STATEMENT OF I. W. DUGGAN, GOVERNOR, FARM CREDIT ADMINISTRATION

Mr. DUGAN. I quote a statement from your committee's 1945 report in the first part of my prepared statement; and, if it meets with the chairman's and committee's approval, I would like to read this statement; then we can go on to the discussion.

Mr. FLANNAGAN. I think it would be better to read the statement.

Mr. DUGGAN. The authority for making Land Bank Commissioner loans through the Federal Farm Mortgage Corporation expires on July 1, 1946. In reporting unanimously during 1945 on the bill which became Public Law 98, the House Committee on Agriculture said:

The authority for the making of Land Bank Commissioner loans will expire under the present law on June 30, 1945. The bill as introduced would have

extended this lending authority for an additional period of 2 years. This has been reduced by the committee to an extension of 1 year as provided by section 13 of the bill as reported. This will be sufficient time to observe the extent to which the change in the lending power of the Federal land banks under section 4 (c) of the bill will make it possible for them to make loans which have heretofore required credit from the Land Bank Commissioner.

The Farm Credit Administration has completed a detailed analysis of the lending operations of the 12 Federal land banks and the Federal Farm Mortgage Corporation for the period from May 1933 to December 1945 with particular emphasis on the period from July 1, 1945, to December 31, 1945. (The authority of the Federal land banks to make loans up to 65 percent of normal agricultural value became effective July 1, 1945). A copy of this study has already been furnished to each member of this committee for his confidential use.

The Secretary of Agriculture, 11 of the 12 Federal land banks, the Land Bank Commissioner, and I recommend that the authority for making Land Bank Commissioner loans be extended to at least July 1, 1948, for the following reasons:

1. There is a definite need for loans up to 75 percent of normal agricultural value if the mortgage credit requirements of agriculture are to be adequately served. This has been true ever since the establishment in 1933 of the normal value concept in making appraisals. An analysis of all land bank loans made since 1933 indicates clearly that many farmers would not have been able to obtain their full mortgage credit requirements from the land bank if there had been no Commissioner lending authority.

Since July 1, 1945, when the land banks began operating under the 65 percent lending authority, the banks have made a determined effort to serve the credit needs of farmers without the use of Commissioner funds. Even under these circumstances, of a total of 11,361 loans closed during the last half of 1945, 4,572 loans were closed jointly with second mortgage Commissioner loans and 1,180 were closed as first mortgage Commissioner loans. Table A attached gives the detailed experience during this period by districts.

It is recognized by all the Federal land banks and the Farm Credit Administration that loans up to 75 percent of normal agricultural value are needed if agriculture is to be adequately served. The Secretary, 11 of the land banks, the Land Bank Commissioner, and I believe that it would be desirable for the land banks to gain more experience under their new authority of lending up to 65 percent of normal agricultural value before an increase to 75 percent in the lending authority is considered. One Federal land bank (Houston) believes that the authority to make Land Bank Commissioner loans should not be extended but that Federal land banks should be authorized to make loans up to 75 percent of the appraised normal agricultural value of the security.

The extent to which borrowers ordinarily could be expected to take up the difference between a 65 percent Federal land bank loan and a 75 percent Commissioner loan, either from their own resources or from other lenders, is uncertain especially during periods when farm income and economic conditions generally are less favorable than present conditions. The study made of applications received by the banks from July 1, 1945, through December 1945 disclosed that in a great many instances the difference between a 65 percent loan and a 75 percent loan was the margin that enables a returned veteran or a

young tenant farmer to complete the purchase of a farm and reestablish himself as an owner operator.

Although, at the present time, farmers generally are in good financial condition, and most lenders give agricultural loans a high credit rating, there is still a genuine need for second mortgage Commissioner loans. Our past experience shows that this need will be much greater when conditions are less prosperous. Therefore, it is recommended that loans in excess of 65 percent of the normal value remain available to farmers through Commissioner loans to be used in supplementing land bank loans when needed in the coordinated long-term credit service for farmers.

2. First mortgage Commissioner loans have a definite place in the long-term mortgage field. Lending hazards in certain areas and in many economic situations necessitate the use of first mortgage Commissioner loans. The principal types of situations in which first mortgage Commissioner loans have been made are in connection with:

- (a) Certain irrigation, drainage, and levee districts.
- (b) Areas subject to excessive field erosion.
- (c) Areas subject to the erosive action of streams.
- (d) Areas where the type of agriculture is undergoing a change.
- (e) Properties of limited desirability, salability, and rentability.

National farm loan associations operate in very limited areas, usually in one or only a few counties; they cannot spread their risks over a wide enough area to absorb possible losses where a large number of such loans are concentrated in the territory of one association. Hence, many farmers desiring loans involving the above credit risks cannot be served by land bank loans. The risk of the Federal Farm Mortgage Corporation, however, are spread over the entire United States; therefore, it can carry such loans through varying periods of farm income, or until the physical features of the properties become seasoned and stabilized, or until the types or agriculture are improved. Federal land bank loans must be sufficiently high quality to support consolidated Federal farm loan bonds. The borrower's stock purchases in his local national farm loan association are the first to absorb any losses of his association; each member's loan must be endorsed by the national farm loan association of which the borrower is a stockholder.

Study of the history of first-mortgage Commissioner loans indicates that there is a genuine need for such loans. Farmers served by such loans generally have had very restricted opportunities from other sources for obtaining credit. During the past, little or no credit was available in below-normal income periods; during normal times limited credit could be obtained at premium rates of interest; and during inflated periods, when the hazards involved in lending are more likely to be overlooked in the desire to invest idle funds, properties with these risks frequently receive excessive loans at too high interest rates and for too short time periods.

Since the security for first-mortgage Commissioner loans represents the less desirable and smaller farm properties offering inadequate security for land bank loans, this field of farm ownership would lack stabilizing credit opportunities if Land Bank Commissioner loans were not available. The need for stability of this segment of agriculture cannot be overemphasized in the interests of the Nation's agricultural economy. Although some of these loans might be made by the land banks, there would still remain a significant group of farmers in these

categories whose credit needs could not be served by the land banks. Credit service should be available to such farmers to the same extent as it has been extended to them by the coordinated systems of land bank and Commissioner lending.

To summarize, the effects of discontinuance of both first- and second-mortgage Commissioner loans would seriously impair the system's mortgage credit service to farmers. The following table indicates that without Commissioner loans during the period July 1, 1945, to March 31, 1946, the land bank system would have been unable to serve the greater part of the farmers who require first-mortgage Commissioner loans and loans in excess of 65 percent of normal agricultural value.

Type of loan	65% of NAV and less		Over 65% through 75% of NAV		Total	
	Num-ber	Amount	Num-ber	Amount	Num-ber	Amount
Single FLB.....	9,549	\$39,632,978	0	0	9,549	\$39,632,978
Joint FLB and Commissioner.....	0	0	7,637	\$43,697,971	7,637	43,697,971
First mortgage Commissioner.....	664	911,950	692	1,100,760	1,356	2,012,710
Total.....	10,213	40,544,928	8,329	44,798,731	18,542	85,343,659

Mr. ANDRESEN. Will you give me a little more information on those items? Were those joint loans? Did they amount to \$43,000,000 or was that just the Commissioner part of the loan?

Mr. DUGGAN. The joint loan amounted to \$43,697,971 and the Commissioner amount of that loan amounted to possibly somewhere between four and five million dollars because the Commissioner loan was only the difference between 65 percent of the normal agricultural value and the actual amount loaned which in no case was more than 75 percent of the normal agricultural value; hence, the Commissioner amount of the loan was between 10 or 12 percent of the total loaned.

Mr. PACE. It could not possibly amount to 12 percent could it?

Mr. DUGGAN. The difference between 65 and 75 percent, which is 10 points, is the difference, and 10 points is a little more than 10 percent of 75, so it would be between 10 or 12 percent if the loan went to the full amount of 75 percent.

The first mortgage Commissioner loans which were over 65, but not in excess of 75 percent of normal agricultural value, were 692 in number—amounting to \$1,100,760. There was a total of single land bank loans made of 9,549 in the amount of \$39,632,978; in number, joint land bank and Commissioner loans were 7,637 and first mortgage Commissioner loans were 1,356, amounting to \$43,697,971 and \$2,012,710 respectively; or a total of 10,213 loans amounting to \$85,343,659.

The probable decline in volume of new land banks loans, if the Commissioner's authority is discontinued, is due to the fact that prevailing appraisal standards of most other lenders are such that all major groups of lenders are making loans as high as, or higher than, those made by the land banks and Commissioner.

Mr. PACE. What do they charge in interest rate?

Mr. DUGGAN. It varies. I will get you a table on that in a few minutes if you will hold that question.

If you have your copy of the study with you it is on page 12. There is a chart showing the interest rate.

Mr. FLANNAGAN. Suppose you proceed with the statement and let us get it in the record before we go any further.

Mr. DUGGAN. Table B attached which covers the period July 1, 1945, to December 31, 1945, shows by farm credit districts the number of applications for loans which were canceled or withdrawn by the applicant after a land bank commitment had been made and where the borrower obtained a loan elsewhere. Almost without exception, the loans obtained from all other lenders were larger in relation to normal agricultural value established by land bank appraisers than was the commitment made by the bank. With very few exceptions, the amount of the loan by other lenders was more than 75 percent of normal agricultural value. There is also a tendency during this present period of high income for other lenders to loan a larger percentage of normal agricultural value on the weaker type farms, as compared with the better farms. There is some further evidence which indicates that other lenders have been making larger loans per acre during recent years in the weaker areas.

The Farm Credit System and the land banks are interested in volume of new loans only to the extent that permits the maintaining of an organization which will remain of sufficient importance in the farm-mortgage field to render adequate and effective service to farmers in need of and desirous of the cooperative type of service with its proven advantages which the land banks have been able to render. Since other lenders are making loans for more than 65 percent of normal agricultural value, there would be no protection to farmers with respect to interest rates, terms, and appraisal standards within the segment of farm-mortgage financing which lies between 65 and 75 percent of normal agricultural value, if there were no authority to make Commissioner loans. In other words, there would be no yardstick for setting standards for borrowers who would not qualify under the 65 percent lending authority of the Federal land banks. Under these circumstances, the influence of the land-bank system in making sound loans in periods of both prosperity and depression would be limited. Necessarily, a smaller number of normal agricultural-value appraisals would be made throughout the country, and it is probable that the widespread use of these appraisals has had an important influence in retarding inflation in land prices during the present period.

It is questionable whether the land-bank system could function effectively solely as a stand-by organization without some form of subsidy. In order to maintain an effective organization, there must be a sufficient flow and volume of business to provide enough earnings to keep such an organization functioning at all times. The Federal land-bank system requires an adequate number of national farm-loan associations staffed by trained personnel, and land banks staffed with trained appraisers and personnel sufficient to meet the demands for credit both in times of stress and in times of prosperity.

The Federal land-bank system is in reach of the goal of complete farmer ownership which has been an objective from its inception. By May 1946, 11 of the banks had returned all Government funds, and it is anticipated that within a reasonable time the 12th bank will complete such return, whereupon each of the 12 banks will be completely owned by their stockholders, principally national farm-loan associations which in turn are completely owned by their borrowers.

The earnings of the Federal Farm Mortgage Corporation have been

sufficient to absorb all losses to date, to pay all of its operating expenses, and to provide a reserve of over \$50,000,000 that is available for any future losses.

Land Bank Commissioner loans have rendered during the past and are now rendering a helpful and worth-while service to American farmers; therefore, we recommend that the Land Bank Commissioner lending authority be extended to July 1, 1948.

TABLE A.—Number of applications¹ closed during the last half of 1945 compared with the estimated number that would have been closed and the estimated number that could not have been closed by the Federal land banks without Commissioner lending authority²

I

District	Applications closed as loans				Straight FLB loans as a percent of all loans closed
	First Mortgage Commissioner	Joint	Straight Federal land bank	Total	
Springfield.....	100	589	269	958	28.1
Baltimore.....	100	191	132	423	31.2
Columbia.....	114	601	304	1,109	29.8
Louisville.....	56	145	451	652	69.2
New Orleans.....	47	495	382	924	41.3
St. Louis.....	159	148	805	1,112	72.4
St. Paul.....	85	217	684	986	69.4
Omaha.....	72	322	1,328	1,722	77.1
Wichita.....	99	538	482	1,119	43.1
Houston.....	129	689	342	1,160	29.5
Berkley.....	141	348	222	711	31.2
Spokane.....	78	289	208	575	36.2
Total.....	1,180	4,572	5,609	11,361	49.4

¹ Includes commitments made prior to July 1, 1945, and loans based on prudent investment values.

² The data in columns II and III are based upon the assumption that the borrowers would have accepted 70 percent of normal agricultural value, or 5 percent less than the amount applied for, if there had not been legal authority to go up to 75 percent with a Land Bank Commissioner loan.

II. ESTIMATED NUMBER WHICH WOULD HAVE BEEN CLOSED WITHOUT COMMISSIONER LENDING AUTHORITY

Number	Percent of all borrowers who actually were served	Number	Percent of all borrowers who actually were served
297.....	31.0	1,421.....	82.5
149.....	35.2	526.....	47.0
342.....	33.6	390.....	33.6
494.....	75.8	245.....	34.5
416.....	45.0	237.....	41.2
865.....	77.8		
786.....	79.7	6,168.....	54.3

III. ESTIMATED NUMBER WHICH COULD NOT HAVE BEEN CLOSED WITHOUT COMMISSIONER LENDING AUTHORITY

Number	Percent of all borrowers who actually were served	Number	Percent of all borrowers who actually were served
661.....	69.0	301.....	17.5
274.....	64.8	593.....	53.0
677.....	66.4	770.....	66.4
158.....	24.2	466.....	65.5
508.....	55.0	338.....	58.8
247.....	22.2		
200.....	20.5	Total (5,193).....	45.7

If we look a minute at table A, the first table, there is a break-down by districts of the total of 11,361 loans, that is during the last half of 1945, compared with the estimated number of loans that would have been given, and it is estimated that could not have been closed by the Federal land bank without Commissioner lending authority.

By districts, the first column is the first mortgage Commissioner and it shows 1,180 first mortgage Commissioner loans; the second column is joint loans; the third column is the Federal land bank, and the next column is the total loans made.

Mr. JOHNSON. Is that Springfield, Mass.?

Mr. DUGGAN. Yes. In other words in the Springfield district there were 589 joint loans made; straight land-bank loans, which were not to exceed 65 percent of normal agricultural value, totaled 269; making total loans of 958.

Straight Federal land-bank loans closed, as the percentage of all loans closed amounted to 28.1 percent.

Further on down you will notice in the Baltimore district that straight land-bank loans as a percentage of the total loans closed was 31.2 percent; Columbia 29.8; Louisville 69.2; St. Louis 72.4; St. Paul 69.4; Omaha 77.1; Wichita 44.1; Houston 29.5; Berkeley 31.2; and Spokane 36.2.

Mr. FLANNAGAN. Now only about one-half of the loans on table 1 are straight land-bank loans?

Mr. DUGGAN. 49.4 percent are, yes.

Mr. FLANNAGAN. That is the over-all picture?

Mr. DUGGAN. Yes. It is estimated that if there had been no second Commissioner loan and if all the land-bank loans did not exceed 65 percent of value, it would not have been possible for these farmer borrowers to take a 65-percent loan. In the next section of that table, it is estimated that, if there had been no second Commissioner loans, only 54 percent of the loans that were made could have been made.

Mr. ABERNETHY. Is that all the loans?

Mr. DUGGAN. Yes.

Mr. PACE. That is a highly speculative figure.

Mr. DUGGAN. It is the best judgment we could get, based upon the information we had; I will give you some additional information in just a minute.

Let us look at table B for a minute. We will find out what is happening or what did happen on some of the loans. We would like this table to be kept confidential from the standpoint of not publishing the sources of the data; the sources of this data are confidential; we developed it for the use of the committee.

Mr. ABERNETHY. I do not know whether this statement should go in the record or not.

Mr. DUGGAN. That is all right.

Mr. ABERNETHY. That is public property.

Mr. DUGGAN. Let us say not confidential except to put it in the record.

This is land bank and land bank Commisisoner loans which were withdrawn after the appraisal and subsequently financed by the other lender. The type of lender and the Farm Credit districts, July 1 to December 1st, 1945, are given in the first column. There were 150 loans which were withdrawn after appraisals and loan commitments had been made by the Federal land bank system.

The land banks and land bank Commissioner had made commitments to loan 70 percent of the normal agricultural value. On these 150 farms the insurance companies actually made the loans at 82 percent of the normal agricultural value.

Now we think, Mr. Pace, if the land banks had been permitted to make only 65 percent of the normal agricultural value, there would be a still larger number of loans that would go to some other group.

MR. PACE. The record here shows that they are lending at a cheaper interest rate than you are. How can we object to it if they all will go there?

MR. DUGGAN. I do not think the Record shows it.

MR. PACE. The chart shows that your insurance companies are lending at a lower rate than you are.

MR. FLANNAGAN. Let us get through with this table.

MR. DUGGAN. There were 293 land bank and commissioner loans on which commitments had been made to lend up to 66 percent of the normal agricultural value; these loans were later made by commercial banks at 86 percent of the normal agricultural value.

MR. POAGE. That certainly does not show much of anything. That simply shows that the land banks and Commissioners would loan more than 1 percent than the Commissioners could loan but the insurance companies loaned 86 percent, which was right up to full value. Now surely you do not mean to say that because that 1 percent would have had any great effect there, the land banks could have loaned up to 65 percent without it and all you had was 66 percent loaned there?

MR. DUGGAN. It varies by districts. In the Houston district they would have loaned 72 percent of normal agricultural value, which was nearer to the 18 loans in that district. Then there were 298 loans on which the land banks and Commissioner had made commitments to lend up to 68 percent of normal agricultural value, and which individuals loaned 89 percent of the normal agricultural value.

MR. PACE. You mean you traced every one of those applications to see what became of them?

MR. DUGGAN. Yes. Under the heading "Others" there were 74 loans on which land banks and Commissioner had made commitments to lend up to 68 percent of normal agricultural value and which other lenders loaned 88 percent of the normal agriculture values; or, for all lenders, there were 818 loans on which land banks and Commissioner made loan commitments up to 68 percent and "All lenders" loaned 86 percent.

MR. POAGE. Does that not look like these private lenders are getting away out on a limb and inflationary?

MR. DUGGAN. Some of the insurance companies, Mr. Poage, are rather selective in the area in which they lend.

The Federal land banks are not set up to serve higher risk areas. I think that the many farmers are much more inflationary even in the land risks and land values than are some of the lending agencies.

MR. POAGE. Does not the fact that a lending agency is lending on the average here of up to 86 percent of the normal value, 86 percent land loaned, is that not getting in the inflationary class itself? We used to always think of 50 percent as a pretty good land loan. If we are getting up in that figure, is that not tending to bring about inflation when we are getting that kind of a loan?

Mr. DUGGAN. There are other factors that are much stronger in influencing inflation right now, I think, than these. Yet these are having some influence in the increasing price of the land.

Mr. POAGE. All right. Then if it is true that the higher loan value the private companies will set, the higher they go the greater the inflation. Is that not true, that the higher the Government lending agency goes the greater the inflationary trend?

Mr. DUGGAN. I would say that we feel that the lending authority, keeping at the same rate that it has been in the past and giving the appraisals of normal agricultural value, have had a slowing down influence on inflation over what it would have otherwise been.

Mr. POAGE. Over what it had been had you increased it to 100 percent?

Mr. DUGGAN. Over what it would have been if we had had fewer loans and fewer land appraisals, that is the point. There are two fundamental things involved. One is, do you want to keep the land banks in the field as pace setters, as a yardstick? Do you want them self-supporting, that is, paying their way? Or do you want Congress to appropriate funds for their administration?

At present the funds for the administration of the land-bank functions of central office, the district Federal land banks and the local National Farm Loan Association offices are paid by the Federal land-bank system and not by congressional appropriations.

Mr. FLANNAGAN. Now Governor, the House meets at 11 o'clock and I think we are going to have to adjourn. We have a hearing set for tomorrow. I understand Mr. Hope and Mr. Andresen will be away all of next week and I should like for both of them to be here when we get back on this. Would the week after next suit you to finish up?

Mr. DUGGAN. Any time that suits the committee we can attend. Of course, the lending authority expires July 1.

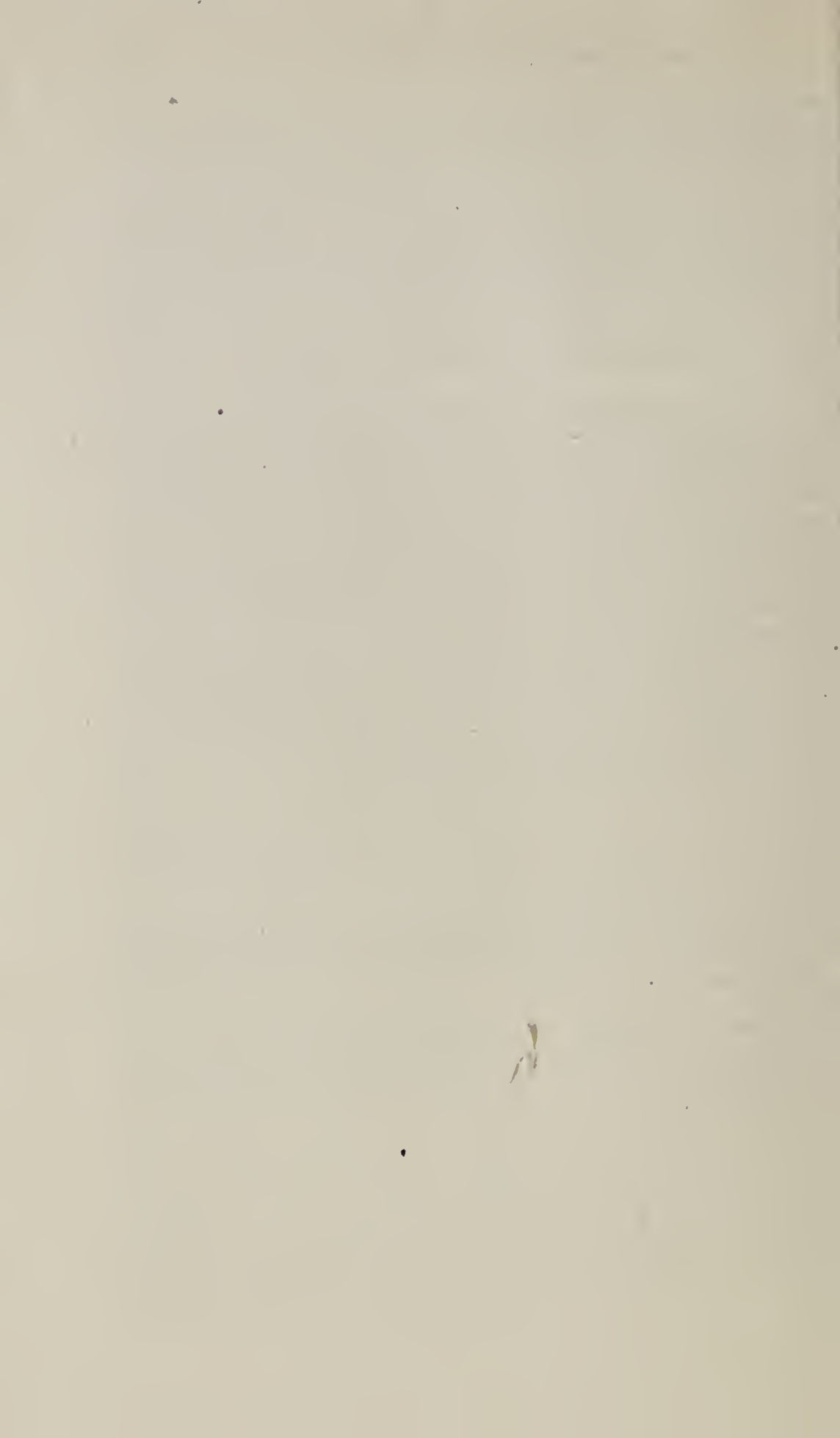
Mr. FLANNAGAN. Yes, we have to take immediate action one way or another.

Mr. DUGGAN. I have a meeting of the land bank presidents in Kansas City next week but I can come back the following week, if it is the wish of the committee.

Mr. FLANNAGAN. I think that would be the course to pursue because I would like to have the full committee here if possible when we pass on this, and I will adjourn this hearing until sometime the week after next and I will set the date sometime this evening or tomorrow.

Mr. DUGGAN. Thank you, Mr. Chairman, that will be fine.

Mr. FLANNAGAN. Thank you very much for appearing, Mr. Duggan. (Whereupon at 10:45 a. m. the committee adjourned to meet at the call of the Chair.)



AMEND EMERGENCY FARM MORTGAGE ACT AND FEDERAL FARM MORTGAGE CORPORATION ACT

H. R. 6477

WEDNESDAY, JUNE 5, 1946

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The committee met at 10 a. m., Hon. John W. Flannagan, Jr. (chairman) presiding

The CHAIRMAN. The committee will come to order. We will now take up for further consideration H. R. 6477, a bill to extend the Federal Farm Mortgage Act for 2 years.

When we commenced holding hearings we had only about 45 minutes to devote to the consideration of the bill due to the fact that the House met at 11 o'clock on May 23. Mr. Duggan, the Governor of Farm Credit, was on the stand at that time and had not completed his statement.

Mr. Duggan, we shall be glad to hear from you.

FURTHER STATEMENT OF I. W. DUGGAN, GOVERNOR, FARM CREDIT ADMINISTRATION, ACCOMPANIED BY R. L. FARRINGTON, ASSOCIATE SOLICITOR, FARM CREDIT ADMINISTRATION

Mr. DUGGAN. Mr. Chairman, I would like to insert in the record a statement as to the reduction in farm mortgage loans in 1940.

On January 1, 1940, the total volume of farm mortgage loans amounted to approximately \$6,586,000,000.

On January 1, 1945, the volume was approximately \$5,270,000,000, or a reduction in the farm mortgage debt of \$1,316,000,000. Of this reduction of \$1,316,000,000, the Federal land banks and the Federal Farm Mortgage Corporation took a reduction of \$1,166,000,000.

A rather large portion of the total reduction in national farm mortgage debt has been taken by the units in the Farm Credit Administration. We have encouraged farmers to pay off their debts.

Now, getting specifically to the Federal Farm Mortgage Corporation, on January 1, 1940, the Land Bank Commissioner loans outstanding amounted to \$690,000,000 in round figures. On January 1, 1945, they were reduced to \$329,000,000.

Mr. VOORHIS. The second figure is for 1945 and not 1946?

Mr. DUGGAN. Yes.

Mr. VOORHIS. Is the same general reduction still going on?

Mr. DUGGAN. By March 31, 1946, the reduction was to \$194,000,000 in the case of Commissioner loans.

Mr. VOORHIS. Why do you think that the Farm Credit Administration indebtedness went down so much more rapidly than other indebtedness? Obviously, it did. You have at least two-thirds of the reduction in indebtedness that was Farm Credit indebtedness?

Mr. DUGGAN. I would think that it is due in a rather large measure to our very active program of encouraging farmers who were in a position to pay their mortgage debt to pay out.

Mr. VOORHIS. Would you say that that was in contrast with what the banks have done?

Mr. DUGGAN. I do not know what other lenders have done along the same line, but I do not think they have followed the same policy we have. We set up a prepayment fund and encouraged farmers to pay into the prepayment fund in order, if they had a crop failure or other conditions arose, they would have funds already available to meet their necessary payments on their mortgages. There is still possibly \$25,000,000 in that fund.

The land-bank loans have been reduced to \$1,013,000,000 in round figures as of March 31, 1946.

Mr. ANDRESEN. Of the \$194,000,000 outstanding of Commissioner loans, how much of that amount is delinquent?

Mr. DUGGAN. There is a very small portion of that delinquent at the present time. As of December 31, 1945, of second mortgage loans delinquent, the figure amounts to \$1,711,000. That is first and second mortgage loans against outstanding on that date of December 31 of \$228,000,000.

Mr. ANDRESEN. Is there not a tendency, Governor, for these people to pay out their indebtedness, whether it be with Government or private sources, at the time that they have money? Is that not the situation with respect to local banks and other investment institutions throughout the country?

Mr. DUGGAN. A larger portion of the reduction in the farm mortgage debt has been taken by the users of the Farm Credit Administration.

Mr. ANDRESEN. That may be because they carried the bulk of the mortgages of the country.

Mr. DUGGAN. We do not carry 50 percent of them.

Mr. ANDRESEN. You can go to any bank in the United States that had farm mortgage paper and you will see that there has been the same rapid liquidation of that paper in those banks as there has been in Farm Credit. That is the situation out in our country.

Mr. VOORHIS. What percent of the \$6,000,000,000-plus and of the \$5,270,000,000 was Farm Credit Administration mortgage? Do you see what I mean?

Mr. DUGGAN. Of the \$6,586,000,000, \$2,722,000,000 were loans made by the Federal land banks and Land Bank Commissioner, and of the \$5,270,000,000, \$1,557,000,000 were loans made by Federal land banks and Land Bank Commissioners. It was much less than half of the total.

Mr. VOORHIS. Yet of the reduction you had nearly two-thirds?

Mr. DUGGAN. Yes.

The CHAIRMAN. Governor, before you conclude I would like for you, for the purpose of the record and for the information of the committee, to submit a statement showing the condition of the Federal Farm Mortgage Corporation.

Mr. DUGGAN. We have that in the study of Federal Land Bank Commissioner loans. It is on page 54 of the bulletin.

The CHAIRMAN. At this point in the record we will insert page 54 of the bulletin, showing the operations of the Federal Farm Mortgage Corporation from May 12, 1933, to December 31, 1945.

(The table referred to is as follows:

Land Bank Commissioner Loan Operations, May 12, 1933, to Dec. 31, 1945, inclusive

[Even thousands of dollars]

Earnings:

Interest on mortgage loans, purchase money mortgage, etc.-----	\$369, 461, 000
Loan fees-----	12, 012, 000
Other fees and miscellaneous income-----	1, 386, 000

Gross earnings-----	382, 859, 000
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Deductions:

Interest expense-----	150, 375, 000
Operating expense:	
District offices-----	107, 400, 000
Central office-----	12, 182, 000

Total deductions-----	269, 957, 000
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Net earnings-----	112, 902, 000
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Less:

Loss on mortgage loan and real estate transactions-----	62, 145, 000
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Available for absorbing any future losses-----	50, 757, 000
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The CHAIRMAN. According to this statement, the gross earnings of the Federal Farm Mortgage Corporation from May 12, 1933 to December 31, 1945, amounted to \$382,859,000, did they not?

Mr. DUGGAN. Yes.

The CHAIRMAN. And total expenditures during that period amounted to \$259,957,000?

Mr. DUGGAN. Yes.

The CHAIRMAN. Leaving net earnings of \$112,902,000?

Mr. DUGGAN. Yes.

The CHAIRMAN. From the net earnings you had to deduct the losses, which I understand amounted to \$62,145,000 during that period.

Mr. DUGGAN. That is correct.

The CHAIRMAN. And as of December 31, 1945, you had a balance, after deducting all the expenses, of \$50,757,000.

Mr. DUGGAN. To cover any future losses.

The CHAIRMAN. I mean that you had that balance.

Mr. DUGGAN. Yes.

The CHAIRMAN. During that period you did not set up an interest account, money free of interest.

Mr. DUGGAN. No. We paid during that period \$150,375,000 in interest expense. There is no interest paid on the Government capital.

The CHAIRMAN. To whom did you pay that interest?

Mr. DUGGAN. Some of the bonds were sold to the public, and some to the Treasury when the funds were borrowed from the Treasury.

The CHAIRMAN. What I am driving at is this: Did the Treasury lose any money on the transaction?

Mr. DUGGAN. There was no subsidy in this except the subsidy on the use of free capital, if the Treasury charged us the average cost of money for what they let us have.

The CHAIRMAN. How much free capital did you use during that period?

Mr. DUGGAN. The maximum amount of free capital was \$200,000,000; \$100,000,000 was returned about 5 years ago; \$50,000,000 was returned under authorization of this committee last year when we asked for that authorization, and we are contemplating returning some part of the remaining \$50,000,000 this year or next year.

The CHAIRMAN. But you have only \$50,000,000 of free capital at this time?

Mr. DUGGAN. Yes, and we do not expect to have that much a year from now.

The CHAIRMAN. If interest had been paid on that free money over this period, do you know what the interest charges would have amounted to?

Mr. DUGGAN. Not compounded, approximately \$42,000,000.

The CHAIRMAN. There would have been a net profit shown after paying interest on the free capital?

Mr. DUGGAN. Yes. I should say, though, the picture did not look that way in 1940. There has been quite a change in the picture since 1940.

Mr. PACE. Does your item of operating expenses of \$119,000,000 cover the entire operating expense, or were there any appropriations made by the Congress?

Mr. DUGGAN. That covers all the operating expenses.

Mr. PACE. The Land Bank Commissioner has used no Federal appropriation at all in the operation?

Mr. DUGGAN. That is correct, and the item of \$119,000,000 includes any appropriations we may have had at the time Congress was appropriating for the expenses of the central office of the Farm Credit Administration.

Mr. PACE. That is included in this figure?

Mr. DUGGAN. That is included. These are the total cost figures regardless of the source of funds.

Mr. PACE. The suggestion has been made to me—and I might say from within the Farm Credit Administration—that this problem could be solved by authorizing the transfer of this present profit of \$50,000,000 to the Federal land banks inasmuch as it is today, under your figures here, a profit item, and that the Federal land banks, with that \$50,000,000 as a revolving fund, can meet all the needs—certainly under the present conditions—of Commissioner loans. What is your reaction to that suggestion?

Mr. DUGGAN. To meet those needs you would have to authorize the Federal land banks to make loans up to 75 percent of the normal agricultural value of the property.

Mr. PACE. As a Commissioner loan?

Mr. DUGGAN. No. If you did away with the Commissioner loans and had to meet the needs of the farmers, I would hesitate to express a definite view without very careful study. I think possibly I can

illustrate the particular situation best by this chart that I have here—

The CHAIRMAN. In order to do that, you would have to change the land bank law to put a ceiling on of 75 percent?

Mr. DUGGAN. Yes, and we are not recommending at this time going beyond that.

Mr. PACE. It can be done in another way, Mr. Chairman, in my judgment. It can be done by transferring this \$50,000,000 to the Governor or to the necessary legal entity, or to the respective land banks with authority to them to make loans under the Commissioner Loans Act without any amendment to the Federal Land Bank Act. There is not any question about the legality of it, in my judgment.

Mr. DUGGAN. The loans are being made at the present time by the land-bank system. We do not have a separate set-up.

Mr. PACE. I thoroughly understand that. I propose that two things should be done. One is to prevent the making of an emergency act a permanent law, because, in my judgment, if you ever extend the Commissioner land bank law one more day you have made it permanent. There is no doubt in my mind about that, because we all agreed here a year ago when we increased the Federal land bank loans to 65 percent that the Commissioner loans would continue for 1 year and then would expire. I can see, trying to look at all sides of it, some danger that if it expires entirely private lenders might say, "Well, we do not have this competition now and we will raise our interest rates."

As I said, the suggestion that was made to me, and it was made by Farm Credit Administration representatives, was that this entire matter can be solved by the Congress authorizing you—in some way that can be worked out in detail—to take over the \$50,000,000, and you can take the \$50,000,000 and meet every need for the loans in excess of 65 or 75 percent. Do you say that you cannot do that?

Mr. DUGGAN. I would say that I would want to go into a rather exhaustive study of it before I would recommend that we should go in that direction.

Mr. PACE. What is wrong with it, in your offhand opinion?

Mr. DUGGAN. If you go back as late as 1940, the picture did not look too bright for either the land banks or the Federal Farm Mortgage Corporation being able to live on their own.

Now, getting back to this chart just a second, somewhere in here [indicating] this line is going to reach a peak. These are the prices from 1800 index numbers—

Mr. PACE. I do not care to go into that. I believe that the day is coming when farm prices are going to drop and I do not believe that day exists today.

Mr. DUGGAN. I do not think it exists today.

Mr. PACE. I hope it is not going to exist in the next 3 years. If the Secretary of Agriculture thought well of that plan, would you be opposed to it?

Mr. DUGGAN. I say that without a thorough study, analyzing how this sort of plan would operate, the costs and the services, I would not want to answer either way.

Mr. PACE. What do you mean by the costs? There are no more costs than those you have now.

Mr. DUGGAN. I mean the costs in losses.

Mr. PACE. And answer this question: Will \$50,000,000, as a revolving fund, meet the needs of Land Bank Commissioner loans today?

Mr. DUGGAN. As a capital structure, yes.

Mr. PACE. If \$50,000,000 will do the job, and you have the machinery to do it with, what is the need for continuing an emergency agency?

Mr. DUGGAN. I do not know that \$50,000,000 will meet the need, looking ahead for a few years. There are two loans. One is a first-mortgage Commissioner loan. The other is a second-mortgage loan, as you know.

Mr. ZIMMERMAN. There would have to be legislation set up authorizing the Federal land banks to do what is now done by this act.

Mr. PACE. There is no question about that. That is what we are doing here now, dealing with legislation.

Mr. ZIMMERMAN. It is the same dose of medicine. You want to put it in a different capsule; that is what you are asking for. You are going to have to do the same thing. Why beat the devil around the bush; why not do it directly, as we have always done? I cannot see the advantage.

Mr. PACE. What you are advocating, then, is making the Commissioner loans permanent?

The CHAIRMAN. What you are advocating is to extend the authority for 5 years, but fix it so it cannot operate.

Mr. PACE. I am to the extent of \$50,000,000.

The CHAIRMAN. You are setting up a dual system in the Federal land banks, making straight Federal land-bank loans, and then you will have \$50,000,000 to make Commissioner loans under your Federal Land Bank System. You are making it permanent.

Mr. PACE. As a stand-by supplemental service. He says—and I am taking his word for it—he has to have a little of this money. I say, “All right, \$50,000,000,” which he says is a profit. Let us take the profit and transfer it to a revolving fund to meet these emergencies.

Mr. VOORHIS. I would like to ask you a question. What will be the relationship between those Commissioner loans and your local association? Would there be any?

Mr. PACE. None whatever. They would have nothing to do with it.

Mr. VOORHIS. Who would make them?

Mr. PACE. The land bank would make them.

Mr. DUGGAN. And local associations. The local associations endorse the land bank, but not the Commissioner loan.

Mr. PHILLIPS. They make them both?

Mr. DUGGAN. We use the same personnel, the same appraisers, and all.

Mr. PACE. Let me ask you one further question. Aside from that plan, certainly if we must continue the Commissioner loans today, we must have it forever. There is not any doubt in my mind about that. With the present prosperity on the farm and with present farm prices, if you come to us and say that you have to have it today that means that you will want it and feel like you should have it forever.

Mr. DUGGAN. I would say, if I may, if you recall the report last year said:

This will be sufficient time to observe the extent to which the change in the lending power of the Federal land banks under section 4 (c) of the bill will make it possible for them to make loans which have heretofore required credit from the Land Bank Commissioner.

Mr. PACE. What you are telling us is that after a year's observation you have come back and want some more.

Mr. DUGGAN. An extension of 2 years.

Mr. PACE. If you extend it for 2 years you will want it forever. There is no argument, in my mind, about that. There may be in somebody else's mind. I am not personally going to agree to make this permanent. Others will.

What I propose is to lay aside the \$50,000,000 proposal and that we extend this act for 5 years as a stand-by service. Then your private lender will see that it is a stand-by service and will see that it will act as a deterrent for any unreasonable increase in interest rates by private lenders. And then if a condition does arise whereby prices go down, the Congress can quickly, by concurrent resolution, authorize the reactivation of this program. What is the objection to that?

Mr. PHILLIPS. What would happen after 5 years of the program?

Mr. PACE. We would extend the act for 5 years, but provide no loans should be made that Congress did not by concurrent resolution authorize.

Mr. ANDRESEN. Except for refinance.

Mr. PACE. Of course. What is your objection to that?

Mr. DUGGAN. If we cannot make loans beginning July 1, 1946, up to 75 percent of the normal agricultural value, we think we would lose a considerable percentage of the volume of our loans.

Mr. PACE. Stop right there.

Mr. DUGGAN. May I finish my statement?

Mr. PACE. Then today, so far as you are concerned, or so far as the system is concerned, it is no longer a question of providing funds to farmers with necessary credit; it has now resolved itself into purely a competitive question of whether you get the business or somebody else gets it.

Mr. DUGGAN. No, if you will let me finish my statement. We are approaching the level where a further reduction will mean a reduction in the servicing of the loans that we already have, because the income would not support the service in many of these areas. I would say in an area like the Columbia district a reduction in volume will mean possibly closing down some offices.

Mr. PACE. It will mean somebody losing his job?

Mr. DUGGAN. As I said, closing down some offices in a few years, and not making the service available for the farmers. I think that I can give you one illustration on that as to what might happen.

As you know, Congressman Pace, interest rates are still higher in Georgia, even on farm mortgages, than in a lot of other areas. We are not making loans in North Dakota because of certain laws in the State of North Dakota. I have asked for some information—and it is not complete yet—but I think it will illustrate the point. I have here a wire that I just received last night from Mr. Avery, president of the land bank at St. Paul. He says:

Mortgage recording survey, North Dakota, incomplete. Data available for eight counties. Believe good cross-section except for Red River Valley. Counties of Cavalier, Divide, McKenzie, Burke, Bottineau, Rolette, and McHenry had 1,123 mortgages recorded last 5 years. Of this total 193 carried 7 percent rate and 150 in this class were for terms not exceeding 1 year; 200 at 6 percent, and 84 not exceeding year; 323 at five percent with 54 not exceeding year. Balance at lower rates includes FSA at 3 percent.

Mr. PACE. Are you objecting to 1-year loans? Do you object to the farmer borrowing for a year?

Mr. DUGGAN. A lot of the difficulties that farmers got into the past, before the advent of the Farm Credit Administration, were due to the terms and conditions of the loan as well as the interest rate. One crop failure——

Mr. PACE. Are you representing to this committee that——

Mr. DUGGAN. I am stating what the record shows the length of the loan was that they were getting.

Mr. PACE. It means that they did not want the money for more than a year, and borrowed it for 1 year and paid it back.

Mr. DUGGAN. Not necessarily.

The CHAIRMAN. That was in North Dakota.

Mr. DUGGAN. We are not permitted to make loans there.

The CHAIRMAN. That was in North Dakota where the land bank is not operating at this time.

Mr. DUGGAN. Yes. Therefore, that service was denied the farmers in North Dakota and they feel very strongly that it has cost them considerable, both with regard to the conditions of repayment, the manner of repayments, and interest rates.

Mr. PACE. Extending this act would not correct that situation.

Mr. DUGGAN. We may have to restrict it in other areas.

Mr. PACE. Why?

Mr. DUGGAN. One of the things we are trying not to do is—and I will show you the records later on—push anybody out of the field of competition; but we have to have a minimum amount of business in order to be self-supporting. If Congress wants to appropriate for administrative expenses and continue the service, that is another question.

The CHAIRMAN. What I should like to know is this: Congressman Lemke had a bill before the committee for some time that would permit the land banks to go ahead and operate in North Dakota. As I understand it, the Department is against it because of certain laws in the State of North Dakota.

Mr. DUGGAN. That is correct.

The CHAIRMAN. This is what I cannot understand: If the insurance companies and the banks can operate under those laws in North Dakota, why cannot the Federal land banks?

Mr. FARRINGTON. Of course, the insurance companies, Mr. Chairman, are private concerns. They are not bound by Federal laws as explicit as ours. We have to have personal liability in connection with our loans. Secondly, as a practical matter, I understand that the insurance companies and the commercial banks are very selective as to areas and as to risks, and they are not making a large volume of loans throughout North Dakota.

Mr. POAGE. May I ask a question right there. Is it not a fact those insurance companies and banks are also charging a higher rate of interest because of those laws?

Mr. FARRINGTON. I am sure they are.

Mr. POAGE. And is not that the actual explanation of this high interest rate that Mr. Duggan has just read us that exists in North Dakota? That is because of the laws of North Dakota. Is not that the actual explanation why they are paying the high-interest rate?

Mr. FARRINGTON. I do not know.

The CHAIRMAN. I do not know how reliable the information is, but the reason that the insurance companies have been charging a higher rate of interest is because the farmers in that State were denied the services of the land bank and the insurance companies had no competition.

Mr. POAGE. Not only the land banks but other big insurance companies will not lend in North Dakota. The whole question goes back to the laws of North Dakota. The State of Texas at one time had what we called the Robinson law, which in effect kept all the big insurance companies from lending in the State of Texas. We said that they could lend but that they had to meet certain requirements that they would not meet, and our interest rates went up. When they came in they had the same effect as the land banks coming in. The land banks create competition and the big insurance companies create competition. When you pass laws enabling the land banks to deal profitably the same laws make it impossible for the insurance companies to operate on a low rate of interest and deal profitably. They will not take the risk at a low rate of interest.

Mr. DUGGAN. If you will turn for a moment to page 40 of the study you will notice figure 6, and the black area on that map indicates the area in which life-insurance companies are recording a higher percent of the mortgages recorded from June 1943 to June 1945. The black indicates that life-insurance companies recorded over 20 percent.

Mr. POAGE. Which seems to indicate that the life insurance companies are not doing much in North Dakota.

Mr. DUGGAN. The data are incomplete for North Dakota yet, but our information indicates that they are rather selective as to the area in which they lend.

Mr. DUGGAN. Then the next map, figure H, will show the areas in which commercial banks are more active in the lending field.

Mr. ANDRESEN. The practice out in North Dakota was for investment companies to go out and make mortgages on land out there and sell the mortgages to innocent widows and orphans, because they had a higher rate of interest. The insurance companies were not lending out in North Dakota.

Mr. POAGE. The map shows that the insurance companies were not lending in North Dakota and are not lending in North Dakota. The reason is the same reason that the land bank is not doing it. I want to be understood as saying that if the land-bank competition does not break down competition, I am for the land bank. Of course, it will bring down the interest rates. Everybody's competition bring down the interest rate. I say that there is no effective competition in North Dakota and cannot be. There is not the ordinary commercial competition in North Dakota that is to be found in other States, because a large part of the commercial lending institutions are not doing business in North Dakota. Where they are doing business, just as Mr. Farrington has said, they are charging a higher rate in order to take the risk. They are charging for the risk that they take. You cannot charge for the risk you take because your rate is fixed by law. Consequently, you cannot go out there and double your interest because the risk is higher. You have to charge the same interest rate, and if the risk goes above a reasonable amount you cannot afford to make a 4-percent loan, or even a 5-percent loan. The interest rates go up as the risk goes up.

Mr. ZIMMERMAN. Competition has something to do with it. I can remember the time when we paid 8 percent down in our country. The Federal land bank got in and the interest rate began to go down. What are you most concerned about, looking after the farmer or the banks of this country? I just ask you that question direct.

Mr. POAGE. I hope that I am looking after the farmers.

Mr. ZIMMERMAN. You certainly have changed your tune.

Mr. POAGE. They seem to be satisfied with the fact that I am looking after the farmer instead of the banks, and if you think not come on down to my district and convince my people otherwise. I think that the system is sounder when it is in the hands of the farmer than a Government system, and this is a question of whether we are going to have a farmer system or a Government system. I believe in a farmer co-operative system. When you try to substitute for it direct Government lending, I think that you are playing into the hands of the bureaucrats rather than into the hands of the farmer, if you want to put it that way.

Mr. ZIMMERMAN. You are dead wrong.

Mr. POAGE. I may be, but I think that I am interested in my farmers just as you think that you are interested in yours.

Mr. HOPE. Let us get back to this North Dakota situation. Is not this the whole proposition: The ability of lending organizations to do business and to do it at a reasonable rate of interest depends upon the risk. The State of North Dakota has deliberately increased that risk by passing legislation which makes it unsafe to lend money at ordinary normal rates of interest. For that reason the Federal land bank has had to get out.

The CHAIRMAN. I probably made a mistake in bringing this subject up.

Mr. DUGGAN. I think the evidence in the record itself, Mr. Chairman, illustrates pretty clearly that we have pushed to reduce the operations of the Federal Farm Mortgage Corporation rapidly, as shown by the amount of outstanding loans. We expect to continue to do that. But we also want to make the cooperative institutions self-supporting with adequate income to support their servicing of loans and making of loans, and make it available as we have in the past in all areas. That is our chief concern at the present time in making the request.

Mr. ZIMMERMAN. Now, Mr. Duggan, from your study what is the present trend with regard to the Federal land banks and these mortgage organizations being able to furnish the farmers of the country service without some support from the Government?

Mr. DUGGAN. If the present pay-off continues at the same pace for the next 3 years as it has since 1940, we will have to greatly curtail the services and will probably have to get an appropriation from Congress for the examinations and services of that type.

Mr. ZIMMERMAN. That is due to the fact that other lending agencies of the country are coming in and taking the cream of the business; is that right?

Mr. DUGGAN. In certain areas they are offering a lower rate than we can, or care to make. We expect to do only a portion of the business at any time in any area.

Mr. ZIMMERMAN. If that condition exists and the Congress refuses to put up money to carry on this work, what is going to happen to the Federal land-bank system?

Mr. DUGGAN. I think that it would be much better to give it the assistance it needs in this manner than by direct appropriation.

Mr. ZIMMERMAN. In other words, your candid judgment, after making this study and survey, is that if the present trend continues then the Federal Government is going to have to put up money to help carry on this system if it is to continue?

Mr. DUGGAN. Yes, if the trend continues at the same rate.

Mr. ZIMMERMAN. Your suggestion is to continue Commissioner loans as a part of this system, and that will supplement the income of the Federal land-bank system and enable them to carry on without this supplemental appropriation? Is that what you are asking?

Mr. DUGGAN. Yes, without the authority to make 75 percent loans.

Mr. HOEVEN. I submit that these are rather leading questions.

Mr. ZIMMERMAN. This is not a court. I think this is legitimate. I do not believe that rule is observed.

Mr. DUGGAN. Possibly, without the authority to go to 75 percent on the normal agricultural value, not more than 54.3 percent of the loans would have been made that were made during the period from July 1 to December 31, 1945.

Mr. PACE. Do you mean Commissioner loans?

Mr. DUGGAN. Of the loans made by the land banks.

Mr. PHILLIPS. Do you mean that 64 percent were Commissioner loans, or involved Commissioner loans?

The CHAIRMAN. Let us get this straight.

Mr. DUGGAN. 49.4 percent of the loans were straight Federal land-bank loans. That is a total of 11,361 loans made. The remainder were either first mortgage Commissioner loans, or second mortgage Commissioner loans in addition to the land bank loans. But the amount of money required for Commissioner loans was very small, being only the difference between the actual loans made and 65 percent of the normal agricultural value, and it could not go more than 75 percent of the normal agricultural value.

Mr. PHILLIPS. Are you giving us a numerical figure or money?

Mr. DUGGAN. The number of loans.

Mr. PHILLIPS. Can you give us the money?

Mr. DUGGAN. It would not be far different. I can get the information for the committee.

The CHAIRMAN. For the purposes of the record, I wish you would furnish the amounts in dollars.

Mr. DUGGAN. On page 3 of the statement used the last time, from July 1, 1945, to March 31, 1946, there were 9,549 single Federal land-bank loans made in the amount of \$39,632,000.

There were 7,637 joint Federal land bank and Commissioner loans made in the amount of \$43,697,000, of which about \$5,000,000 was Commissioner money.

Then there were 1,356 first mortgage Commissioner loans made in the amount of \$2,012,000, or a total of 18,542 loans made in the amount of \$85,343,000, of which in the neighborhood of \$7,000,000, or about 8 percent, were Commissioner funds.

Mr. ZIMMERMAN. One further question: You are asking for the extension of the authority to make Commissioner loans because you think that will be a stop gap to meet an emergency which will enable the Federal land-bank system to carry on as a self-supporting institution in behalf of the farmers of our country; is that right?

Mr. DUGGAN. Yes.

Mr. ZIMMERMAN. Now, just what happens when the Federal land bank begins to curtail its activities? Somebody else is going to do its lending business; is that right?

Mr. DUGGAN. Yes, I think so.

Mr. ZIMMERMAN. Who is going to do that?

Mr. DUGGAN. A rather large percent is being done now by individuals.

Mr. DUGGAN. There is a more rapid increase in loans made by individuals than in any other group.

Mr. ZIMMERMAN. What about the banks and the insurance companies?

Mr. DUGGAN. They will do some. Insurance companies, Farm Security and other lenders, miscellaneous lenders.

Mr. ZIMMERMAN. From your whole study of this problem, as competition falls off, what happens to the interest rates?

Mr. DUGGAN. We know that there have been several changes in the fundamental lending policies. One is the length of the loan. And another is the conditions of repayment.

Mr. ZIMMERMAN. That is right.

Mr. DUGGAN. The extensions in case of crop failure or disaster.

Mr. ZIMMERMAN. Short-time loans carry a high rate of interest always; is that not right?

Mr. DUGGAN. Usually they are considered higher risk loans.

Mr. ZIMMERMAN. That is what I mean, short-term loans usually carry a higher rate of interest.

Mr. DUGGAN. The extension or the refinancing of a short-term loan usually has other costs connected with it.

Mr. ZIMMERMAN. And long-term loans carry a lower rate of interest; is that not right?

Mr. DUGGAN. The lending institutions making long-term loans are usually making loans at a lower interest rate.

Mr. ZIMMERMAN. That is the history of all lending institutions and has been over a long period of time. Well, if that be true, do you not think if we curtailed the fear of the influence of the Federal land banks and these lending agencies for the benefit of the farmers that the ultimate result will be higher interest rates to the farmers?

Mr. DUGGAN. We think so, and we are interested in strengthening the cooperative system.

Mr. ZIMMERMAN. The thing that you are asking this body to do is give some strength to the system which will enable you to stay in the field of competition and do it without having a subsidy from the Federal Government in the way of an appropriation to enable the institution to carry on; is that right? That is what you are trying to do, is it not?

Mr. DUGGAN. We would like to go ahead and study Congressman Pace's proposal because I am not clear as to its operation.

Mr. ZIMMERMAN. You are asking only for a 2-year extension.

Mr. DUGGAN. That is right.

Mr. ZIMMERMAN. For the time being you do not want to let something happen here which will, you think, cripple this system which was set up by this Congress and the people of this country for the

protection of agriculture and the farmers of this country; is that right?

Mr. DUGGAN. Yes.

Mr. ZIMMERMAN. That is what I think.

Mr. ANDRESEN. With reference to short-term and long-term loans, is it not a fact that most of the banks of the country have their money tied up in short-term government loans which pay a low rate of interest rather than a high rate of interest?

Mr. DUGGAN. That is true with respect to Government and utility bonds, I think. My statement was that the institutions that are making these longer term loans generally have the lower interest rates; that is, the Farm Credit Administration and the insurance companies.

Mr. ANDRESEN. That is true. That is the long-term loan.

Mr. DUGGAN. Yes.

Mr. ANDRESEN. But all loans that are being made to banks and a good many private individuals carry a low rate of interest.

Mr. DUGGAN. Based on a study of average contract rates of interest on farm mortgages recorded during 1945 by classes of lenders and by States, the average contract interest rate for March 1945 for insurance companies was 4.26 percent per annum; for commercial banks, 5.14 percent per annum; for individuals, 4.68 percent per annum; for Federal land bank and Land Bank Commissioner loans, 4.32 percent per annum, and for miscellaneous lenders, 4.51 percent per annum.

Mr. ANDRESEN. Is it not a fact that most of the banks of the country, at least the commercial banks, pay no interest at all on deposits?

Mr. DUGGAN. I think that is correct, yes.

Mr. ANDRESEN. And most of the savings banks pay 1½ percent or less. Therefore, it is shown that a good many individual borrowers, rather than leave their money in a savings bank, or in a commercial bank without any interest, are lending it at a higher rate of interest, and you indicate that is around 4 percent. Is that trend apt to continue considering the large amount of savings in this country?

Mr. DUGGAN. I do not know what the fiscal policy of the Government will be on the cancellation of the debt, and how much of the bank deposits are in the form of—

Mr. ANDRESEN. Did you say "cancellation of the debt"?

Mr. DUGGAN. Pardon me; paying off the debt. As you know, they have called some short-term paper, and I do not know just how much money will be available, but as long as there is a large supply of money available, large holdings, and a short supply of commodities to buy, I think that would be true.

Mr. ANDRESEN. And that may continue for quite a few years until the demands of the people are satisfied. There are still some who do a lot of saving even on top of that, so they will have money to loan out. Do you not think it is a healthy condition for individuals to invest money in farm mortgages?

Mr. DUGGAN. I think it is from the individual's standpoint. I think from the farmer's standpoint it is a hard, hazardous place to borrow money. We have found in times of stress or emergency the individual cannot carry the farmer. He has to foreclose. They usually have been the first to foreclose on the farm mortgages.

Mr. ANDRESEN. That has not been my experience. I remember here about 10 years ago when the Federal land-bank system was foreclosing on over 100,000 farm mortgages. Do you remember that?

Mr. DUGGAN. Yes; that is true. I think that all agencies foreclosed. Also, our usual findings are that individuals do not appraise farms and lend on normal agricultural values; they will lend more on present market value and speculative prices.

Mr. ANDRESEN. I think they are quite careful at the present time.

Mr. DUGGAN. And they usually lend for a shorter period of time, which makes the payments heavier on the borrower if he is intending to hold the farm and operate it over a period of years and not speculate on it. He usually needs to have rather small annual payments.

Mr. ANDRESEN. Of course, the average individual likes to see the loan paid up during the productive years of the borrower rather than to let it run on for 30, 40, or 50 years.

Mr. DUGGAN. Yes. The average term of farm mortgages recorded during March of 1945, by classes of lenders, was in the case of insurance companies in the United States, 15 years; in the case of commercial banks, 4½ years; in the case of individuals, 4.9 years; and in the case of the Federal land banks and Land Bank Commissioner, 22.9 years; and in the case of miscellaneous lenders, 10½ years.

Mr. POAGE. In answer to a question a minute ago you suggested that you proposed this extension in view of the crisis existing at the present time in the hope that we would work out of a crisis. That was a word by Mr. Zimmerman, but you agreed that it was correct. What is the present crisis that confronts us?

Mr. DUGGAN. The Federal land-bank system?

Mr. POAGE. That is right.

Mr. DUGGAN. The reduction in the volume of business to such a point that it cannot be self-supporting and extend the services Nation-wide that it is now extending.

Mr. POAGE. I take it that any time we are paying off more loans than we are making we are faced with a crisis. Would that be true?

Mr. DUGGAN. Not necessarily. It is when you get down to a certain volume of business that is smaller than your operating expenses, and then that particular institution is facing a crisis.

Mr. POAGE. Any time that you are getting more loans paid than you are making, you are approaching that point, are you not?

Mr. DUGGAN. In some degree; yes.

Mr. POAGE. And you are just about as far away from that point at the moment as you have been at any time during the existence of the land-bank system?

Mr. DUGGAN. No.

Mr. POAGE. You are not?

Mr. DUGGAN. No; we have collected much more than we have loaned since 1940.

Mr. POAGE. I know.

Mr. DUGGAN. We have reduced the volume of outstanding loans from \$2,499,000,000 in 1940, in round numbers, to \$1,207,000,000. We have cut it more than 50 percent. We have encouraged farmers to pay off. We are still encouraging individual farmers to pay off their debts.

Mr. POAGE. Then the danger will be that any time we begin to pay off more than we are borrowing we are working toward a crisis, and

when half of the indebtedness is paid off we have reached a crisis period somewhere around that point; is that about right?

Mr. DUGGAN. I would say for any institution when the income from the volume of business it does is less than the expenses it has to do either one of two things—cut expenses or increase the volume of business.

Mr. POAGE. That is true. Is the income of the land banks now less than the expenses?

Mr. DUGGAN. No. I say that we have not reached that point, but Mr. Zimmerman's question was, as I understand it: If the situation continues we will reach that point, and in some of the districts it is nearer to that point than in others.

Mr. POAGE. That is right. Then the only crisis that exists at the moment is the tendency.

Mr. DUGGAN. Based on the study this past year, a large percentage of the loans that were made would not have been made if the loans had been limited to 65 percent of the normal agricultural value, because the loan would not have met the needs of the borrower. He would have had to go elsewhere for his loan.

Mr. POAGE. Why?

I am trying to find out at what point we are going to throw this crisis in reverse.

Perhaps I had better start this way. We established the Commissioner loans because of the crisis, did we not?

Mr. DUGGAN. Yes.

Mr. POAGE. That crisis was because farmers could not borrow enough. The credit was not available to them. That was the crisis that existed then.

Mr. DUGGAN. We had a different type of crisis, yes.

Mr. POAGE. That is exactly the point.

Mr. DUGGAN. I do not say that we have a crisis today.

Mr. POAGE. The crisis was different at that time. The crisis was a farmer's crisis at that time and now it is a bankers' crisis, is that it?

Mr. DUGGAN. Well, I look at the Federal land bank as a farmer's bank because 11 of them own all the stock. There is only one bank that has Government paid-in capital or surplus. Eleven of the banks recommended the extension of the lending authority of the Federal Farm Mortgage Corporation. They reiterated that statement last week.

Mr. POAGE. That is right, but the one that did not reiterate was not entirely farmer-owned, and that is the Houston bank, of course, and the Houston bank was the first one paid out.

Mr. DUGGAN. Yes.

Mr. POAGE. I think that perhaps they operated on a sound basis all the way through the war.

Mr. DUGGAN. Only 29.5 percent of the loans made in the period we referred to—that is, from July 1 to December 31, 1945—by the Houston bank were straight Federal land-bank loans.

Mr. POAGE. I would like to get back to this crisis proposition and try to distinguished between the two crises. The first crisis that created the law was a lack of credit, was it not?

Mr. DUGGAN. Well, there were a lot of factors—the whole economic situation. You know what they were.

Mr. POAGE. I know.

Mr. DUGGAN. That was during the period of the thirties.

Mr. POAGE. I know that you do not want to commit yourself.

Mr. DUGGAN. It was low farm prices and lack of credit and lack of confidence and all those factors that go to make up a depression.

Mr. POAGE. That is right. We had a depression—a crisis—and nobody could argue that we did not. I agree that we had a crisis and we passed a law—a wise one, I think—to provide for direct Government credit in the form of Commissioner loans. Our treatment for that depression was direct credit, was it not?

Mr. DUGGAN. To supplement the land-bank system and also to help bail the land-bank system out, including the Texas bank.

Mr. POAGE. That is right, to supplement the land-bank system, including the Houston bank.

Mr. DUGGAN. Yes.

Mr. POAGE. That was direct Government credit.

Mr. DUGGAN. Yes.

Mr. POAGE. Now, then, we are faced with this situation: So much money is available that we are afraid that the land banks, including the Houston bank, will not be able to loan enough money to continue profitable operation; is that right?

Mr. DUGGAN. Perhaps I can illustrate from this chart behind me.

Mr. POAGE. No, no; that is not what I want.

Mr. DUGGAN. I do not know what portion of the total mortgage credit business this cooperative system should get. Do you have a suggestion on that, Mr. Poage?

Mr. POAGE. Do you mean of all of the lending?

Mr. DUGGAN. Yes; all of it.

Mr. POAGE. Whatever it could get by reason of it—

Mr. DUGGAN. What would you say would be a fair percentage of the total mortgage credit extended?

Mr. POAGE. I think that would change a great deal from time to time. It is bound to change every year.

Mr. DUGGAN. How much would you say to keep it in business as a self-supporting institution?

Mr. POAGE. I assume it has to get enough to meet its expenses, as you suggested a while ago. I do not think that it has to show a profit. I think that it has to meet its expenses. I do not think that either the Government operation or the farmer-owned operation is primarily interested in showing a profit, but rather rendering a service to the farmer.

Mr. DUGGAN. There is no profit in the land-bank system. It is returned to the farmers in the form of a dividend.

Mr. POAGE. I know, but I do not think it is necessary even to be able to pay a dividend if you are able to operate. The point I am trying to make now—and it is not that question at all—

Mr. DUGGAN. May I bring out this point right here—

Mr. POAGE. I am a bit now like some of the others. I want my questions answered.

The CHAIRMAN. Ask the witness a question and let him answer.

Mr. POAGE. I would be delighted, but he wants to answer another question. The point that I was making was this: Originally we established the system for the purpose of providing additional credit when credit was limited.

Mr. DUGGAN. And saving the Federal land-bank system.

Mr. POAGE. Including the Houston bank. Now, we are faced with a situation wherein we have so much credit that it is difficult for the land banks, including the Houston bank, to make sufficient loans to meet their expenses. That is the problem that is confronting us now, is it not?

Mr. DUGGAN. It is not that now, but if they loan only on 65 percent of the normal agricultural value, there would be that condition, we think.

Mr. POAGE. Then you think that you have to make Commissioner loans in order to get the volume up?

Mr. DUGGAN. Not up; to maintain the volume. We think that we would lose, based on this study, perhaps 45 percent of the loans that we actually made in that 6 months' period.

Mr. POAGE. Let me make a formal statement and you point out where it is wrong. As I see it, we created the Commissioner loans to provide additional credit when credit was short. Now we have so much credit that we find difficulty in making loans by land banks, including the Houston Land Bank, that we propose to extend the Commissioner loans during this period of boom. What is wrong with that statement?

Mr. DUGGAN. I would say that we are asking for the extension for 2 years.

Mr. POAGE. What is wrong with my statement?

Mr. DUGGAN. Rather than ask the land banks to be permitted to lend up to 75 percent, the whole crux of it is whether it is a safe loan, and we are not certain yet. Based on history, we are afraid to come in and ask that the land banks be permitted to lend up to 75 percent of the normal agricultural value. We prefer to ask for an extension of the lending authority of the Federal Farm Mortgage Corporation for 2 years.

Mr. POAGE. And the Mississippi River continues to run, and what is wrong with my statement?

Mr. DUGGAN. Would you mind making it again?

(Question read.)

Mr. DUGGAN. I think that I answered it in my statement.

Mr. POAGE. Do you or do you not find fault with what I have said?

Mr. DUGGAN. I am not trying to find fault with what you say; I am trying to express our views as to why we are asking for the extension of the lending authority for 2 years.

Mr. POAGE. And I am just trying to find out what you are doing. I would like to know whether you think that is a true statement or an untrue one.

Mr. DUGGAN. I think the statement is correct as far as it goes.

Mr. POAGE. In justice to you, you may go as far as you want to, to make it correct.

The CHAIRMAN. Mr. Poage, the witness has answered and reanswered that question. As I understood him to say, if the Commissioner loans are cut off at this time in all probability the Federal land banks will lose about 45 percent of the volume of business.

Mr. POAGE. That is what he said.

The CHAIRMAN. And business will fall off to a point where the system cannot be operated at a profit.

Mr. POAGE. I understand what he has answered with regard to that, but that is not the question that I asked him. The question I asked, and one that I have been trying to get an explanation of, is, How you can make the same remedy apply for both inflation and deflation; that is, if what he believes is good for a depression is also good for an inflation. That is what I am trying to get at.

The CHAIRMAN. I think that the record is clear.

Mr. DUGGAN. I think it is to further strengthen the land bank system which we have been trying all these years to strengthen, and I will grant you that a lot of the improved condition of the land banks resulted from increased prices and unlimited markets for farm products. We have them in the best condition that we have had them since before the thirties. It will take a certain amount of business to maintain that situation and the services. I would say that if Congress wants to cut the services and appropriate to continue the system, that is a matter for Congress to decide, and not for me.

Mr. POAGE. Of course, the Houston Land Bank says that our expenses are too great now. You have heard their argument on that.

Mr. DUGGAN. Yes.

Mr. POAGE. They think that we can cut these expenses and can operate with less money today, and the efficiency of that bank lends credence to the belief that it can be done. It seems to me what you are suggesting demands a permanent extension of the Commissioners' loans, because if they are needed during depression times and during inflation times, I do not know when you would wipe the Commissioner loans out. Could you explain to us under what circumstances you could wipe out the Commissioner loans?

Mr. DUGGAN. When we have had enough time to see if the land bank can go to 75 percent of the normal agricultural value in lending without incurring too many hazards.

Mr. POAGE. Do you think that it is desirable for the land bank to make those 75-percent loans?

Mr. DUGGAN. The Houston bank has recommended very strongly that they do. I am not ready to say yet on the basis of the facts that I have that it should be done.

The CHAIRMAN. I recollect that when we had the Commissioner loans up some time ago one of the chief witnesses in favor of the Commissioner loans was the president of the Houston bank, and I think that the record will bear that out. Now, it develops that all the banks are in favor of it except the Houston bank. I do not know whether the president of the bank has changed his views or whether the local associations have been operating on the president. I do know when we had him up here he was one of the chief proponents for the Commissioner loans.

Mr. POAGE. It certainly should be said in Mr. Evans' behalf that he has not testified before this committee as being in favor of any permanent extension of the Commissioner loans.

The CHAIRMAN. He did not testify that?

Mr. POAGE. He did testify a year ago. He testified here approximately a year ago that he would not object to continuing these loans for a year. That is exactly what we did; and now we are approximately at the end of the year and we are faced with the proposition—Are we going to continue these loans permanently, or are we going

to stop them permanently? It seems to me, as Mr. Pace said so plainly, we have already had a year's trial. The governor and the heads of the various land banks have had their opportunity and have decided that they want to continue, but when they tell us it is still an experimental proposition it seems to me to be going a long ways.

Mr. DUGGAN. We say that this 65 percent has been in effect a little less than a year.

Mr. POAGE. That is right.

The CHAIRMAN. Mr. Poage, let me make this statement: This committee had hearings on a bill to consolidate and coordinate the farm-lending agencies in an attempt to set up a proper foundation for them to operate on. It was passed by this committee by a large vote and by the House by a large vote, and the Senate attempted to hold hearings, but very few of the Senate Members were able to attend the hearings; consequently, when the vote in the Senate committee was taken the legislation was not reported out. I would like to see that legislation revived and the right kind of foundation laid. I know that the majority of this committee had that in mind at the time, after laying the proper foundation, taking up these different lending agencies and seeing if we could not bring about the proper coordination and consolidation of them in the interest of efficiency and management so that they could render better service to the farmers of America. I hope that we can do that yet. If we are going to do it we certainly should, in my opinion, extend Commissioner loans for a reasonable time to give us an opportunity to bring about the proper coordination and consolidation which I think is so vitally necessary to set up the right kind of agricultural lending agency in this country.

I do not think that anyone would consider this permanent legislation. We are passing on it with the distinct understanding that it is not permanent.

Mr. POAGE. No more permanent than the National Housing Administration which the President is making permanent by Executive order, and if he can do that he can do it with this just as well.

The CHAIRMAN. If we sit by and let him do that it is our own fault. The duty rests upon the Congress to set up the right kind of an agricultural lending agency.

Mr. POAGE. We are letting him make a permanent agency out of the National Housing Agency without any act of Congress.

The CHAIRMAN. We are not charged with that responsibility in this committee, but we are charged with the responsibility of providing farmers of this country with the right kind of lending agency. I think before we get it we will have a lot of work to do.

Mr. POAGE. Is there any question whatever in anybody's mind that the Commissioner loans should be placed under some other authority? That is what the Flannagan bill does, to determine what bracket it falls within.

The CHAIRMAN. The legislation that I introduced did not change in any way, shape, or form a single Government lending agency.

Mr. POAGE. That is right.

The CHAIRMAN. It placed them upon a foundation with the thought in mind that we were going to take the next step and bring about the right kind of consolidation and coordination of these respective agencies.

Mr. POAGE. The point I am making is that it makes no difference whether the Flannagan bill is law or not law, the Commissioner loans would be in the same place. They will be in the same place whether we pass or do not pass the bill. They will be in the Farm Credit Administration and they will be connected with the land banks.

The CHAIRMAN. If the committee, after it makes a thorough study of these different lending agencies to see what coordination can be brought about by consolidation, sees fit to eliminate Commissioner loans altogether, they will be eliminated.

I think that this committee should make a thorough study of the whole lending structure.

Mr. POAGE. Is it not true that a year ago we were told that if they had a little experience here the Farm Credit Administration could see what was going to happen and then we could intelligently decide?

The CHAIRMAN. That is true.

Mr. POAGE. The next time will there not be some other reason, something else that they want to find out?

The CHAIRMAN. I think that we have had unfavorable conditions under which to make the test as to whether or not the 65 percent loan is the maximum loan that the Federal land bank system should make. We have had pretty prosperous farm conditions since the limit was raised from 50 to 65 percent.

Mr. POAGE. Must we go through another depression in order to decide that 75 percent is too high?

Mr. VOORHIS. I would like to ask this question of the members of the committee. I would like to ask whether the committee believes that in the event of poor conditions in agriculture in the country that the kind of loans the land banks make would be adequate to meet that kind of situation.

The CHAIRMAN. Mr. Voorhis, they would not.

Mr. VOORHIS. Is not that the fundamental question?

The CHAIRMAN. Is is a fundamental question.

Mr. VOORHIS. If the cooperatively owned land banks can extend that type of credit that farmers would need under those circumstances, that is one thing. I am doubtful if they could. I am doubtful if you could maintain the kind of cooperative system that you have under depressed conditions in agriculture and make the kind of loans that many farmers ought to have made to them to save their farms. If that be true, then we have to consider the secondary question, what we want to do in the interim period where there may not be any great need for this other type of lending, and whether the sound policy is to maintain an agency in being to enable that agency to live during that period, or if you are going to keep it in being, it seems to me quite clear that it would be against the public policy to have the agency functioning on the basis where it is going to lose.

Mr. POAGE. Does not your very line of reasoning come to this, that we must make the decision now as to whether or not we are going to keep this as a permanent agency or extend it for 1 or 2 years? One or 2 years will not answer your question. Therefore, the 1 or 2 years' extension that they are proposing simply begs the question.

The CHAIRMAN. I think we have heard all the testimony we need. Suppose that we go into executive session and thresh it out.

Mr. DUGGAN. I never did get to explain my answers to Mr. Poage's question. Frankly, I have to put it on an emergency basis. Here, the black line [indicating] shows the land bank and Commissioner loans as a percentage of the total loans made in the United States in 1941, by quarters. It is down below 10 percent of all loans made. The loans made are going up, but the proportion of the land bank and Commissioner loans is going down. If we take the Commissioner loans off this next year we think this line will go on down [indicating]. That is also shown for previous years on page 10 of the study.

Mr. POAGE. If you made 100 percent loans instead of 75 percent loans, you could make that line go up still higher.

Mr. DUGGAN. But we are not asking for that.

Mr. POAGE. Is not your question whether 65 percent or 75 percent is where we ought to stop?

The CHAIRMAN. I propose that we go into executive session.

(Whereupon, at 11:45 o'clock a. m., the committee adjourned to go into executive session.)

WASHINGTON, D. C., June 5, 1946.

HON. JOHN W. FLANNAGAN, JR.,

House Office Building, Washington, D. C.:

On behalf of the American Farm Bureau Federation I wish to recommend the continuation of the authorization for Commissioner loans as proposed in the bill H. R. 6477. I believe it would be a serious mistake to discontinue Commissioner loans at this time particularly due to the delay in the enactment of the Flannagan bill H. R. 4873, which provides for the reorganization of Farm Credit facilities. Authority for such loans should be continued until a proper study and reorganization of all farm-credit facilities can be made.

EDW. A. O'NEAL,

President, American Farm Bureau Federation.

THE AMERICAN BANKERS ASSOCIATION,

New York 16, N. Y., June 6, 1946.

RE: H. R. 6477—Extending authority to make Land Bank Commissioner loans.

HON. JOHN W. FLANNAGAN, JR.,

House of Representatives, Washington, D. C.

DEAR MR. FLANNAGAN: Last year when your committee was considering H. R. 2113, Mr. A. L. M. Wiggins, former president of the American Bankers Association, appeared on behalf of the association to express its views on that bill. One of the provisions of that bill carried a 2-year extension of the period during which the Land Bank Commissioner could make loans on behalf of the Federal Farm Mortgage Corporation, such extension being from July 1, 1945, to July 1, 1947. Mr. Wiggins opposed this extension at that time and recommended that the Land Bank Commissioner's authority be allowed to terminate.

Your committee, in reporting H. R. 2113, reduced the period of extension to 1 year, making the termination date of these loans July 1, 1946, and the bill was enacted with such 1-year extension.

H. R. 6477, which is now before your committee, would provide a further 2-year extension of the authority of the Land Bank Commissioner to make these loans, to July 1, 1948. We believe such extension is not only unnecessary but unwise. In the first place, farm-land prices are materially higher than they were a year ago, a much sharper increase having occurred in the months following the termination of hostilities than had occurred prior thereto. The making of loans at 75 percent of present-day farm-land values cannot help but add to the inflationary pressure on farm-land prices. This is so because it makes it possible for individuals to pay higher prices for farms and adds to the number of potential purchasers, thereby increasing competition for available farms. H. R. 2113 increased the ratio of Federal land bank loans to 65 percent of the value of the farm. It would seem that this ratio is as high as is warranted under present conditions. A farmer with \$3,500 cash could buy a \$10,000 farm with a Federal

land bank loan. If he could also obtain a Land Bank Commissioner loan, he could purchase for the same amount of cash a \$14,000 farm. Or, if there was another farmer with only \$2,500 in cash, he could, if he was able to obtain a Land Bank Commissioner loan, compete with the farmer who had \$3,500 in cash for the purchase of the \$10,000 farm.

Furthermore, the proposed extension in H. R. 6477 is the sixth such extension of the period during which the Land Bank Commissioner loans may be made. These loans were authorized originally in 1934 when this country was in the depths of the worst depression in its history. These loans were designed as an emergency measure to relieve those farmers who were finding difficulty in meeting their payments on their outstanding mortgage indebtedness by refinancing such indebtedness on liberal terms. These loans served a useful purpose in meeting the conditions sought to be alleviated and doubtless saved many farmers from the loss of their farms. However, the economic condition of the farmer is entirely different today than it was in 1934 when these loans were originally authorized. The national farm income is higher today than it has ever been. Most farmers have money in the bank and savings salted away in Government bonds. Many have fully paid off the mortgages on their farms, while others have reduced their mortgage indebtedness materially. There does not appear to be, therefore, any compelling need for a further extension of the authority to make these loans.

Some have felt that this authority should be extended to meet the farmers' needs in another depression which they fear may occur in the future. We do not believe this is a valid reason for continuing the authority to make these loans. If such a future need should arise, it would be a simple matter for Congress to enact legislation restoring the authority to the Land Bank Commissioner. In the meantime, all of the machinery would be kept intact in a standby condition. The Federal Farm Mortgage Corporation will continue in existence even though the authority of the Land Bank Commissioner to make loans on its behalf is terminated. The Federal Farm Mortgage Corporation Act provides that the Corporation shall have succession until dissolved by an act of Congress. The act also provides for a revolving fund in the United States Treasury into which the capital of the Corporation may be repaid and from which additional subscriptions to the capital of the Corporation may be made if need arises. Under the act at present the directors of the Corporation are authorized to repay to the Secretary of the Treasury so much of the capital of the Corporation as is in excess of \$50,000,000.

Section 2 of H. R. 6477 amends that provision of the act to authorize the directors of the Corporation to repay to the Secretary of the Treasury such portions of the capital from time to time as are not needed in carrying out its functions authorized by law. This amendment appears desirable, since it allows more flexibility and should make possible the repayment to the Secretary of the Treasury of all of the capital of the Corporation to be held in the revolving fund until such time as a need might arise for additional capital for the Corporation. It would seem that such capital could be repaid to the Secretary of the Treasury even if the authority to make the Land Bank Commissioner loans is extended, since even without any capital funds the Corporation would still have a borrowing power of \$2,000,000,000, which should be more than adequate to meet any foreseeable demand for such loans.

It will be appreciated if you will bring this letter to the attention of your committee in connection with the consideration of H. R. 6477, in order that the members may have before them the views of the American Bankers Association on this bill.

Yours very truly,

F. G. ADDISON, Jr.,
Chairman, Committee on Federal Legislation.

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DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued June 18, 1946
For actions of June 17, 1946
79th-2nd, No. 117

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HIGHLIGHTS: House passed following bills: Continue Federal administration of Agricultural Conservation Program for 2 years; continue Sugar Act for 1 year; provide that future peanut allotments and quotas shall be at least as much as in 1941; prohibit peanut marketing quotas in 1947; provide for Swan Island animal-quarantine station; and reduce public-debt limit to \$275,000,000,000. House Rules Committee cleared omnibus flood-control bill. Rep. Rees said "farmers who sell wheat are entitled to have the price protected. Rep. Sabbath spoke in favor of price control on farm products. Rep. Jenkins inserted Secretary's letter on publication of food-allotment lists.

HOUSE

1. AGRICULTURAL CONSERVATION PROGRAM. Passed without amendment H. R. 6459, to continue Federal administration of the Soil Conservation and Domestic Allotment Act from Jan. 1, 1947, to Jan. 1, 1949 (p. 7133).
2. SUGAR ACT. Passed without amendment H. R. 6689, to continue this Act until Dec. 31, 1947 (p. 7148).
3. PEANUT MARKETING. Passed as reported H. R. 5958, to provide that future marketing quotas and acreage allotments of peanuts for each State shall be at least that for 1941 (pp. 7138-9).
Passed without amendment H. J. Res. 359, to eliminate marketing quotas for peanuts in 1947 (p. 7139).
4. ANIMAL QUARANTINE. Passed without amendment H. J. Res. 364, to provide for establishment of an international animal-quarantine station on Swan Island, and to permit the entry therein of animals from any country and the subsequent importation of such animals into other parts of the U. S. (pp. 7147-8).
5. CIVIL-SERVICE RETIREMENT. Passed without amendment H. R. 3492, to amend the Civil-Service Retirement Act so as to prevent withholding or set-off of amounts in the retirement fund to the credit of fiscal officers on account of suspensions or disallowances raised by GAO when such officers have acted in good faith (p. 7136).
Passed as reported H. R. 4651, to amend this Act so as to provide that an annuitant retired because of disability, who recovers before reaching automatic retirement age, and who fails of reemployment through no fault of his own, be entitled to full annuity (p. 7136).

6. FLOOD CONTROL. The Rules Committee reported a resolution for consideration of H. R. 6597, the omnibus flood-control bill (p. 7131).
7. PERSONNEL; CLAIMS. Passed as reported H. R. 6532, which permits department and agency heads to designate disbursing officers to make payments of claims directly to Government employees and former employees for the difference between amounts for overtime, leave, and holiday compensation computed at day rates and overtime, leave, and holiday compensation computed at night rates pursuant to Comptroller General's decisions--applies only to those whose compensation is fixed by wage boards, etc.; and who receive night differential pay (p. 7135).
8. FORESTRY. Passed without amendment H. R. 5840, which authorizes exchange of 144 acres of national-forest land used for pasturage for 8 acres of irrigated pasture land with an associated water right (p. 7136).
9. PUBLIC DEBT. Passed without amendment H. R. 6699, to reduce the public-debt limit from \$300,000,000,000 to \$275,000,000,000 (pp. 7149-60); during debate there was discussion in favor of economy in Government expenditures.
10. STRATEGIC MATERIALS. At the request of Rep. May, Ky., the conference report on S. 752, to provide for acquisition of stocks of strategic and critical material, was recommitted to the conferees (p. 7129). Rep. Pittenger, Minn., said he understood this action was taken "for a correction and not for a substantial change" (p. 7130).
11. FARM PRICES. Rep. Rees, Kans., said "farmers compelled to sell wheat are entitled to have the price protected" (p. 7130).
Rep. Sabath, Ill., spoke in favor of price control on farm products (p. 7131).
12. APPROPRIATION HEARINGS. Rep. Slaughter, Mo., spoke in favor of opening appropriation hearings to members of Congress, stating that he was refused an opportunity to hear War Assets testimony even though he is chairman of the surplus-property investigating committee (p. 7130).
13. PERSONNEL. Passed as reported S. 1460, to fix the salary at \$10,000 per annum and provide Senate confirmation of appointment of the Interior Department solicitor (p. 7139).
Rep. Miller, Calif., at the suggestion of the Speaker withdrew his request for consideration of H.R. 6691, to excuse Federal employees from duty on July 5, 1946 (pp. 7148-9).
14. GRAZING LANDS. Passed over on objection of Rep. Kean, N.J., H.R. 1392, to provide for renewing and increasing forage and improving watershed conditions on range lands, forests or Indian lands, or other U.S. lands; and authorizing sowing operations by airplane, machinery, or other means, for conducting experiments to improve methods of reseeding (p. 7139).
15. LAND-BANK COMMISSIONER LOANS. The Agriculture Committee reported with amendment H.R. 6477, to authorize continuation of Land-Bank Commissioner loans until July 1, 1948, and authorize repayment to the Treasury of capital in excess of that necessary to carry on the functions of the Federal Farm Mortgage Corporation (H.Rept. 2295) (p. 7161).

while serving in the Navy or Coast Guard or any civilian capacity under the direction of the Secretary of the Navy. Such photographs shall include a view of the grave showing its general surroundings and a view of the grave showing all identifying markings placed thereon. Such photographs with the negatives shall be furnished without charge to the next of kin of the deceased.

EXTENSION OF REMARKS

Mr. CRAWFORD asked and was given permission to extend his remarks in the RECORD and include a statement.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 33. An act relating to the management and administration of national forest grazing lands; to the Committee on Agriculture.

S. 115. An act to modify sections 4 and 20 of the Permanent Appropriation Repeal Act, 1934, with reference to certain funds collected in connection with the operation of Indian Service irrigation projects, and for other purposes; to the Committee on Indian Affairs.

S. 141. An act to clarify the law relating to the filling of the first vacancy occurring in the office of district judge for the eastern district of Pennsylvania; to the Committee on the Judiciary.

S. 178. An act to amend sections 9 and 40 of the United States Employees' Compensation Act, as amended; to the Committee on the Judiciary.

S. 190. An act to provide for, foster, and aid in coordinating research relating to dental diseases and conditions; to establish the National Institute of Dental Research; and for other purposes; to the Committee on Interstate and Foreign Commerce.

S. 437. An act for the relief of W. S. Burleson; to the Committee on Claims.

S. 706. An act to amend Veterans Regulation numbered 9 (a), as amended, so as to increase the limit of amounts payable thereunder in connection with the funeral and burial of deceased veterans; to the Committee on World War Veterans' Regulations.

SENATE ENROLLED BILL SIGNED

The Speaker announced his signature to an enrolled bill of the Senate of the following title:

S. J. Res. 162. Joint resolution extending for 7 months the period of time during which alcohol plants are permitted to produce sugars or sirups simultaneously with the production of alcohol.

ADJOURNMENT

Mr. COOPER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 4 minutes p. m.) the House adjourned until tomorrow, Tuesday, June 18, 1946, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON WORLD WAR VETERANS' LEGISLATION

(Tuesday, June 18, 1946)

There will be a meeting of the Committee on World War Veterans' Legislation in executive session, on Tuesday, June 18, 1946, at 10 o'clock a. m., in Committee Room 356, Old House Office Building.

COMMITTEE ON PENSIONS

(Thursday, June 20, 1946)

The Committee on Pensions will hold open hearings at 10 a. m., Thursday, June 20, 1946, in Room 428, Old House Office Building, on H. R. 3779, H. R. 5740, and H. R. 5741, bills to increase service pensions for certain veterans and widows of veterans of the Spanish-American War, the Philippine Insurrection, and China Relief Expedition.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1397. A letter from the Acting Secretary of War, transmitting a draft of a proposed bill to provide for the appointment of additional commissioned officers in the Regular Army, and for other purposes; to the Committee on Military Affairs.

1398. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the fiscal year 1946 in the amount of \$16,000 for the legislative branch, Architect of the Capitol (H. Doc. No. 666); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. CLARK: Committee on Rules. House Resolution 668. Resolution providing for the consideration of H. R. 6597, a bill authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes; without amendment (Rept. No. 2292). Referred to the House Calendar.

Mr. WALTER: Committee on the Judiciary. H. R. 5234. A bill to authorize the Federal Security Administrator to assist the States in matters relating to social protection, and for other purposes; without amendment (Rept. No. 2294). Referred to the Committee of the Whole House on the State of the Union.

Mr. PACE: Committee on Agriculture. H. R. 6477. A bill to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes; with amendment (Rept. No. 2295). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. LESINSKI: Committee on Immigration and Naturalization. H. R. 6694. A bill for the relief of Olive Irene Miloglav; without amendment (Rept. No. 2293). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BELL:

H. R. 6861. A bill to provide for the retention by the United States Government or its

agencies or instrumentalities of real and personal property within the Philippines now owned or later acquired and for the administration of the Trading With the Enemy Act of October 6, 1917, as amended, in the Philippines, subsequent to independence, to the Committee on Insular Affairs.

H. R. 6802. A bill to amend the Philippine Rehabilitation Act of 1946, for the purpose of making a clerical correction; to the Committee on Insular Affairs.

By Mr. HENDRICKS:

H. R. 6803. A bill to authorize employment by the Secretary of Agriculture of qualified inspectors of fresh fruits and vegetables; to the Committee on Agriculture.

By Mr. HOCH:

H. R. 6804. A bill to provide relief for veterans required to reimburse the United States for overpayment on their adjusted-service certificates; to the Committee on Ways and Means.

By Mr. SIMPSON of Illinois:

H. R. 6805. A bill, exempting tax bonuses paid by States, Territories, possessions, and political subdivisions thereof, from the Federal income tax for those who served in the armed forces; to the Committee on Ways and Means.

By Mr. JOHNSON of Illinois:

H. J. Res. 368. Joint resolution to prevent disposition of certain Government-owned plants and facilities; to the Committee on Expenditures in the Executive Departments.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALLEN of Louisiana:

H. R. 6806. A bill for the relief of Lanty J. Squyres; to the Committee on Claims.

By Mrs. DOUGLAS of Illinois:

H. R. 6807. A bill for the relief of Toshitaro Ishikawa and Mrs. Koman Ishikawa; to the Committee on Immigration and Naturalization.

By Mr. FARRINGTON:

H. R. 6808. A bill for the relief of the legal guardian of Mitsuo Higa, a minor; to the Committee on Claims.

By Mr. GIBSON:

H. R. 6809. A bill for the relief of R. H. Padgett; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred, as follows:

1998. By Mr. HANCOCK: Petition of Mrs. L. M. Kelly and other residents of Onondaga County, N. Y., urging legislation to prevent the use of grain in the manufacture of alcoholic beverages; to the Committee on Agriculture.

1999. Also, resolution of American Legion Post, No. 41, of Syracuse, N. Y., calling upon Congress to pass effective labor legislation to correct economic conditions in the United States; to the Committee on Labor.

2000. By Mr. LARCADE: Petition of the Legislature of the State of Louisiana, urging the enactment of a draft law to maintain a strong armed force; to the Committee on Military Affairs.

2001. By Mr. SMITH of Wisconsin: Petition of United Commercial Travelers of Wisconsin, urging our Congress to fight for the promulgation of the American way of life in our country, and to fight against the totalitarian form of government; to the Committee on Labor.



AMEND EMERGENCY FARM MORTGAGE ACT AND FEDERAL FARM MORTGAGE CORPORATION ACT

JUNE 17, 1946.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. PACE, from the Committee on Agriculture submitted the following

R E P O R T

[To accompany H. R. 6477]

The Committee on Agriculture, to whom was referred the bill (H. R. 6477) to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with the following amendment:

Amend section 1 of the bill, beginning with line 3, to read as follows:

That the eleventh sentence of section 32 of the Emergency Farm Mortgage Act of 1933, as amended (title 12, U. S. C., 1016), is amended by striking out "July 1, 1946" wherever it appears therein and inserting in lieu thereof "July 1, 1951", changing the period at the end of such sentence to a semicolon and adding the following: "and no loans, except such refinancing loans, shall be made by him during the period July 1, 1946, to July 1, 1951, except at such times and for such periods of time as may be specified by concurrent resolution or resolutions of the Congress."

STATEMENT

The Federal land bank system was established by the Federal Farm Loan Act, approved July 17, 1916. As stated in the title of the act, this cooperative system was established—

To provide capital for agricultural development and to create standard forms of investment based upon farm mortgages to equalize rates of interest upon farm loans.

In the enactment of this act it was clearly the intention of the Congress that the land banks should soon become farmer owned and farmer controlled. It was with this end in view that the act provided that each borrower should be required to subscribe for stock in the land bank from which he secured his loan equal to 5 percent of the amount of his loan. As the banks were without any capital for operation at

the time of their establishment, the Government supplied \$8,892,130 for capital, to be repaid as rapidly as borrowers established adequate capital stock through their 5-percent stock subscriptions. And in keeping with this plan substantially all of this Government capital had been repaid by the end of 1932.

This committee fully endorses this principle that the farmers should own and control their credit system. It has been working for years to that end. It believes that only when land bank loans and production loans are handled through a cooperative system owned and controlled by the farmers can the farmer be secure in his credit needs and be free of political and bureaucratic influences. It is to advance that cause that the committee recommends the passage of this bill as amended.

Due to the conditions existing in 1932 the Congress authorized the Secretary of the Treasury to make additional funds available to the Federal land banks. He subscribed for \$125,000,000 capital stock and then between 1933 and 1937 he made \$189,000,000 additional available in the form of paid-in surplus. Of this \$314,000,000, 11 of the land banks have repaid to the Treasury every dollar invested, either as surplus or capital, leaving only one of the banks with Government funds totaling \$76,882,258. This means that 11 of the 12 banks of the system are now entirely owned by the farmers.

The committee cannot be too high in its praise of the service which these banks have rendered the farmers and the Nation as a whole. They have established a sound system of appraisal, they have brought about a substantial reduction of the rate of interest charged on long-term real-estate loans, and they give promise of being able to take care of the future needs for this type of credit. Due to improved farm prices many farmers have been able to pay off their loans in full. In the 1920's the total outstanding farm-loan debt reached a peak of 10.8 billion. Today this total is about 5 billion. One of the problems facing the land banks today is to find acceptable borrowers for the investment of their funds. The numbers and amounts of loans made by the land banks during two 10-year periods is very significant.

Year	Number	Amount	Year	Number	Amount
1918.....	49,808	\$118,129,836	1936.....	6,013	\$22,657,800
1919.....	45,436	144,987,180	1937.....	4,173	14,791,929
1920.....	17,997	66,984,534	1938.....	4,474	13,834,972
1921.....	27,153	91,029,976	1939.....	4,334	14,813,800
1922.....	74,055	224,301,400	1940.....	4,574	15,024,007
1923.....	60,100	192,033,015	1941.....	3,874	12,975,786
1924.....	47,227	165,509,845	1942.....	2,900	10,369,251
1925.....	39,905	127,355,451	1943.....	3,071	10,742,020
1926.....	36,893	131,317,715	1944.....	3,773	13,276,534
1927.....	39,268	140,384,200	1945.....	8,042	31,502,981

It will be observed that during the 10 years, 1936 through 1945, the land bank loans, both as to number and amount, were only about 10 percent of those during the 10 years, 1918 through 1927.

To meet this situation, and to eliminate direct Government loans (known as commissioner loans), this committee gave consideration to increasing the lending authority of the land banks. From 1916 to July 1, 1945, the banks were authorized to lend not in excess of 50 percent of the appraised value of the land and 20 percent of the value

of the permanent insured improvements. It was represented to this committee by the Farm Credit Administration that if the land banks were given authority to make loans up to 65 percent of the normal agricultural value of the farm (land and buildings) then the banks could make more loans, would be in a much better competitive position with other lenders, and the direct Government or commissioner loans would no longer be necessary. A bill to that effect was prepared by the Farm Credit Administration and introduced by the late H. P. Fulmer, at the time chairman of this committee.

No action was taken on that bill by the committee. In the early part of 1945 the Farm Credit Administration again solicited the committee for authority to make 65 percent loans. The committee reported a bill granting this authority, together with authority to the banks to purchase loans previously made by the Land Bank Commissioner, extending the authority for making commissioner loans for 1 year, and with other provisions. This bill became law, being approved June 30, 1945. At the time this bill was reported by this committee, it was clearly and distinctly understood and agreed within the committee that by increasing the lending authority of the land banks to 65 percent of the normal agricultural value it was intended to discontinue the making of Land Bank Commissioner loans after one more year, that is, after July 1, 1946, and that no further extension of such authority would be recommended.

COMMISSIONER LOANS

The Members of Congress are thoroughly familiar with the conditions facing the farmers of the Nation in the spring of 1933. The fall in farm prices was so drastic that farmers could not meet even their interest payments, thousands and thousands were facing bankruptcy and their loans were being foreclosed; the banks and insurance companies were in desperate financial condition. The Congress enacted the Emergency Farm Mortgage Act, approved May 12, 1933, and in section 32 thereof made available a fund of \$200,000,000 to the Land Bank Commissioner for the purpose of making loans to farmers on the security of a first or second lien on real or personal property in an amount which, together with prior encumbrances, might not exceed 75 percent of the appraised normal value of the security.

From May 1, 1933, through December 31, 1945, commissioner loans totaling \$1,192,141,359 were made; being 253,752 first mortgage for \$415,998,235, and 397,745 second mortgage for \$776,143,124.

Undoubtedly this program saved the homes of hundreds of thousands of farmers of the Nation. And, in addition, it was the means of rescuing thousands of banks, insurance companies, and private lenders from financial disaster. And the Congress must be ready to again provide this service and relief to those who produce the food and fiber to feed and clothe the Nation should we ever again experience such conditions. There can be no security out on the farms of the Nation unless there is assurance that there will always be ample credit at reasonable rates.

But it was never the intent of the Congress to establish these direct Government loans as a permanent program. They were authorized to meet an emergency, and they have accomplished the purpose intended. The authority to make these loans originally expired February 1, 1936, and has been extended from time to time until June 30,

1946. The committee is committed to the view that if a specific program or a specific agency is set up to do a special job or meet an emergency, then, when that job is done or that emergency has passed, it should not insist upon the continued operation of such program or agency.

Of the 253,752 first-mortgage commissioner loans for the total amount of \$415,998,235 made from 1933 through 1945, there remained unpaid in the hands of the Commissioner on March 31, 1946, only 76,936 loans totaling \$73,720,688. And during the 6-month period July 1 to December 31, 1945, after the land banks had been authorized to lend up to .65 percent of normal agricultural value, the first mortgage commissioner loans closed on commitments made subsequent to July 1, 1945, totaled only 680, or at the rate of 114 per month for the entire Nation, and for the total amount of \$1,026,050. Certainly it can no longer be said that there is any urgent need or great need, or any justification, for continuing this special program in the light of the limited service it is offering. The Land Bank Commissioner is holding \$50,000,000 of Government money on which the Treasury is receiving no return. This is money the United States Treasury had to borrow and is costing the Treasury at least \$1,000,000 a year.

In support of their request for further extension of the authority to make these first-mortgage commissioner loans the officials of the Farm Credit Administration submitted to the committee the following financial statement:

Land Bank Commissioner loan operations, May 12, 1933, to Dec. 31, 1945, inclusive

[Even thousands of dollars]

Earnings:

Interest on mortgage loans, purchase-money mortgages, etc.	\$369, 461, 000
Loan fees	12, 012, 000
Other fees and miscellaneous income	1, 386, 000
Gross earnings	382, 859, 000

Deductions:

Interest expense	150, 375, 000
Operating expense:	
District offices	107, 400, 000
Central office	12, 182, 000
Total deductions	269, 957, 000

Net earnings 112, 902, 000

Less:

Loss on mortgage loan and real estate-transactions	62, 145, 000
Available for absorbing any future losses	50, 757, 000

And on the basis of this statement it was contended that the \$50,757,000 reserve for future losses was a net profit in that amount. In the first place, the committee must point to the fact that, in both first- and second-mortgage commissioner loans, there was, on March 31, 1946, still outstanding \$194,036,848, and while land values and commodity prices have been steadily advancing since these loans were made, no one can now predict what losses may be sustained before these loans are fully paid off. The committee hopes there will be none. And, secondly, attention should also be called to the fact that in the above statement no charge whatever is entered for cost of the \$200,000,000 advanced by the Secretary of the Treasury to the

Land Bank Commissioner. That is to say, no interest whatever has been paid for this money, while during all this time the Commissioner was receiving interest on the loans he made with this money at the rate of 5 percent, except for 1 year when he received 4-percent interest. With no cost for money and with little risks in rising values and prices, it should not be very difficult for any one to show a profit after charging 5-percent interest.

The Commissioner had the free use of the \$200,000,000 from May 12, 1933, to May 15, 1941 (9 years), when \$100,000,000 was returned to the Treasury; then he had the free use of the remaining \$100,000,000 until July 31, 1945 (4 years, 2½ months), when an additional \$50,000,000 was returned; and since then he has had and now has the free use of the remaining \$50,000,000. Certainly for such a period of time this money has cost the United States Treasury at least 2½ percent, and a very simple calculation will show that at that rate the interest charge would be almost exactly the reserve or profit indicated in the foregoing statement.

Another rather important feature given consideration by the committee in passing on the question of whether the authority to make these first-mortgage commissioner loans should be continued, was—

(a) If a farmer secures his loan from a land bank, for the limit of 65 percent of the normal value of his farm, he must take 5 percent of his loan and subscribe for stock;

(b) While, if he secures a first-mortgage commissioner's loan, up to the limit of 75 percent of the normal value of his farm, he is not required to subscribe for any stock and receives the full amount of his loan.

This situation has caused never-ending confusion and dissatisfaction among borrowers, particularly among those farmers who try to hold down their indebtedness and those who are interested in promoting the cooperative system with farmer ownership and control.

The committee is, therefore, reaffirming the decision it made a year ago and is recommending that the making of first-mortgage commissioner loans be discontinued for the present. But it will be observed that the committee is not reporting a bill to stop making such loans forever and a day. On the contrary it is recommending, as will be seen from the amendment adopted by the committee, that the authority to make such loans be extended and suspended. It recommends this method for the following reasons:

(a) No one can now see into the future far enough to know what economic conditions may be nor what emergency or credit needs may arise;

(b) This lending authority for first-mortgage commissioner loans should be kept as an inactive stand-by service, so as to be made available without delay in the event conditions justifying its use should develop;

(c) Interest rates on long-term farm mortgages are now down to a reasonable level and the operations of the Farm Credit Administration have contributed a great deal in bringing about this reduction. Many private lenders are making farm loans at as low or even lower rates than the land banks and at higher percentages of value. It is earnestly hoped that these low interest rates will always be maintained, although the committee does not favor loans at too high values at this time, due to their contribution to inflationary land value tendencies. Therefore, the committee considers it of great importance to

give notice now, by the action herein recommended, that this program of first-mortgage commissioner loans has not been destroyed or abandoned, but is merely in suspense and that we will not hesitate to recommend that such program be revived the moment there is any evidence of lenders trying to take advantage of the situation by raising interest rates in an unjustified or unreasonable degree.

But the committee is convinced that the real need for these first-mortgage commissioner loans has passed, they have served their purpose, and their further negotiation should be suspended at least for the time being. Certainly it will be agreed by all that if they cannot be dispensed with now they can never be. If, after trial, that is found to be true, then the committee should and will consider the advisability of legislation to place these direct Government loans on a permanent basis, with some provision whereby the Federal Government can realize some return for the use of its money.

SECOND-MORTGAGE LOANS

The same arguments and conditions do not apply in all respects to the supplemental, or second-mortgage commissioner loans. This type of commissioner loan is now used almost entirely as a supplemental loan. It is usually negotiated by the land bank as a joint loan, the land bank loan being for the amount considered safe for the cooperative system, and then a second-mortgage commissioner loan for additional funds needed by the borrower up to a total aggregate amount not in excess of 75 percent of the normal agricultural value of the farm.

During the last 5 years the land banks have used this second-mortgage loan as a method of securing additional business and of strengthening the cooperative features of the Federal land bank system. By offering additional funds through this second mortgage the land banks were in position to require the borrower to subscribe for stock in the land bank up to the amount of 5 percent of its loan and at the same time was in position to attract borrowers who appeared to need loans in larger amounts than the land bank could make.

It was the intent and purpose of the committee in reporting the bill to increase the lending authority of the land banks up to 65 percent of the normal value of the land and improvements to make it possible to eliminate these commissioner loans, both the first and second mortgages. The authority to continue making these commissioner loans for 1 year, from July 1, 1945, through June 30, 1946, was to give the land banks an opportunity to adjust themselves to making loans up to 65 percent and to give the Land Bank Commissioner ample time within which to prepare for the discontinuance of commissioner loans, and as a part of this plan this committee recommended, and the Congress approved, authority for the land banks to purchase and take over the outstanding commissioner loans.

But the Farm Credit Administration now contends that these second-mortgage loans, ranging between 65 percent and 75 percent of the normal value of the security, are essential for the maintenance of the land bank cooperative system. That is, the Governor of the Farm Credit Administration contends, in effect, that all of the hopes and plans of this committee, and of millions of farmers of the Nation, are fruitless, and that the cooperative system can never stand on its own feet, or support itself.

The Governor may be right, but the committee is not yet ready to admit it. The Governor contends that these second-mortgage loans, made with taxpayers' money, out of the United States Treasury, without any cost in the way of interest, must be continued in order for the land banks to survive. On the other hand the committee clings to the belief that, if efficiently and economically operated, and if properly handled and managed, with their lending authority increased to 65 percent of normal agricultural value, the land banks can not only survive, but will grow in strength and resources. And certainly it must be agreed that if they cannot survive under existing conditions, when land values are high, when commodity prices are good, and when risks are low, then they can never survive.

Neither this committee nor the Congress, nor, in fact, the Governor of the Farm Credit Administration, will ever know whether or not this great cooperative land bank system can stand alone until it is tried. And now, while general conditions are prosperous, while farmers are paying off their debts, while the need for loans is small, is probably the safest time when we can make the trial and determine whether or not the land bank system can stand alone, without Federal aid and the use of free Federal money. The committee believes these banks can stand alone and it wants them to stand alone, for we know that as long as the Federal Government has one penny invested in this system we will continue to have Federal control and domination over the system. Under such circumstances the banks could never become in fact and in truth farmer owned and farmer controlled.

The committee is, therefore, recommending that the same action with respect to these second-mortgage loans be taken as we have recommended with respect to first-mortgage commissioner loans, that the authority to make these second-mortgage loans be extended and suspended.

Under the plan proposed by the committee the negotiation of these second-mortgage loans would be suspended on July 1 of this year. The committee will maintain constant watch over the operation of the land banks and will be prepared to recommend to the Congress the removal of the suspension whenever it should appear that the activities or strength of the land banks might become unfavorably affected, or if there should be any considerable need by the farmers for these second-mortgage loans, or if there should be any increase in the interest rate on long-time farm mortgages.

As stated above, the Farm Credit Administration came to us 2 years ago and said this could be done and should be done. They have come to us now and asked for a 2-year extension of the authority to make both first-mortgage and second-mortgage commissioner loans. The committee is convinced that such extension for two additional years means, in fact, making these commissioner loans a permanent part of the system. The committee does not believe these commissioner loans should be made permanent and does not believe the Congress wants them to be made permanent. The committee does agree that if they cannot be suspended now, under present prosperous conditions, both on the farm and across the Nation, then they can never be suspended.

The committee, therefore, respectfully recommends that the amendment adopted in the committee, to extend the law authorizing these commissioner loans for 5 years and then suspending the making of such loans until authorized by concurrent resolution of the Congress, be approved, and that the bill, H. R. 6477, as so amended, be passed.

THE BILL

Section 1 of the bill as introduced would have extended the authority to make first- and second-mortgage commissioner loans for 2 years, that is, from July 1, 1946, to July 1, 1948. The committee has struck this section and, for the reasons heretofore stated, has substituted in lieu thereof the following:

That the eleventh sentence of section 32 of the Emergency Farm Mortgage Act of 1933, as amended (title 12, U. S. C. 1016), is amended by striking out "July 1, 1946" wherever it appears therein and inserting in lieu thereof "July 1, 1951," changing the period at the end of such sentence to a semicolon and adding the following: "and no loans, except such refinancing loans, shall be made by him during the period July 1, 1946, to July 1, 1951, except at such times and for such periods of time as may be specified by concurrent resolution or resolutions of the Congress."

Section 2 of the bill authorizes the Federal Farm Mortgage Corporation, in behalf of which these commissioner loans are made, to return to the Secretary of the Treasury the amount subscribed to the capital stock of the Corporation and to hold the same subject to future need and request therefor by the Governor of the Farm Credit Administration. As heretofore explained, the Corporation now has \$50,000,000 of the total capital subscribed by the Secretary of the Treasury. This section would authorize the return of this money, or such portion thereof as is not necessary to carry on the functions of the Corporation, and the same would be held in the Treasury subject to call by the Governor of the Farm Credit Administration at any time the Congress should authorize the making of these commissioner loans.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill as reported are shown as follows (Existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

[Eleventh sentence of section 32 of Emergency Farm Mortgage Act of 1933, as amended]

Until [July 1, 1946,] *July 1, 1951*, the Land Bank Commissioner shall, in his name, make loans under this section on behalf of the Federal Farm Mortgage Corporation, and may make such loans in cash or in bonds of the Corporation, or if acceptable to the borrower, in consolidated farm-loan bonds; but no such loans shall be made by him after [July 1, 1946,] *July 1, 1951*, except for the purpose of refinancing loans previously made by him under this section [.]; *and no loans, except such refinancing loans, shall be made by him during the period July 1, 1946, to July 1, 1951, except at such times and for such periods as may be specified by concurrent resolution or resolutions of the Congress.*

(Last two sentences of section 3 of Federal Farm Mortgage Corporation Act, as amended.)

The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States [all amounts in excess of \$50,000,000 heretofore subscribed to the capital stock of the Corporation] *from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law.* The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary.

MINORITY REPORT .

The undersigned feel constrained to respectfully dissent, and dissent in no uncertain terms, to the report filed on H. R. 6477.

Permit us to first draw the issue: H. R. 6477, as introduced, extends the lending authority of the Federal Farm Mortgage Corporation, which expires on June 30, 1946, for a period of 2 years. This means that the authority to make commissioner loans would be extended for a period of 2 years. The amendment to the bill, adopted by the committee by a vote of 11 to 8, and herein complained of, while extending the lending power of the Corporation for a period of 5 years, prohibits the exercise of this lending power unless and until the Congress by concurrent resolution expressly authorizes the Federal Farm Mortgage Corporation to make loans. In other words, the amendment while extending the lending power to make commissioner loans for a period of 5 years would, as of June 30, 1946, prohibit the making of all commissioner loans, and this prohibition could only be lifted by concurrent resolution passed by the Congress. To say the least, such action smacks of the philosophy enunciated by the mother in graciously giving her consent to her daughter's request to go swimming:

"Mother, may I go out to swim?"

"O, yes, my darling daughter,
But hang your clothes on a hickory limb
And do not go nigh the water."

In the second place permit us to line up the forces for and against H. R. 6477:

- (1) The Secretary of Agriculture.
- (2) The Governor of the Farm Credit Administration.
- (3) The land bank commissioners.
- (4) Eleven of the twelve Federal land banks.
- (5) The National Grange.
- (6) The American Farm Bureau.
- (7) The National Council of Farmer Cooperatives.
- (8) The National Cooperative Milk Producers Federation.
- (9) The National Farmers Union.
- (10) The Bureau of the Budget (approved).

Against H. R. 6477 as introduced, that is, for H. R. 6477 as amended so as to cut off the authority to make Commissioner loans as of June 30, 1946:

- (1) The American Bankers Association.
- (2) The Federal Land Bank of Houston.

BACKGROUND

In order to understand the issue it is necessary to give a brief history of both the Federal land bank system and the Federal Mortgage Corporation.

(a) *Federal land bank system*.—The Federal Land Bank Act of 1916, creating the Federal land bank system, designed "to provide capital

for agricultural development" and to "equalize rates of interest upon farm lands," has more than justified its existence. Had it no other accomplishment to its credit than the reduction of farm interest rates from a national average of 6½ percent in 1916 to 4 percent in 1946, it would be considered a godsend to the farmers of America. Add to this accomplishment the bailing out of the banks, insurance companies, and other farm-mortgage lending institutions, during the depression, when loans in 1 year jumped from \$222,446,223 (1933) to \$1,283,503,456 (1934)—over \$1,000,000,000—thus saving not only thousands of farmers, but thousands of financial institutions holding farm-mortgage paper by swapping cool cash for their agricultural paper, and you begin to realize what an important part the system has played in our financial picture.

While the Federal Government supplied the original capital that went into the land-bank system, the system was designed from the first to become farmer-owned and farmer-controlled—this objective to be accomplished by the farmers subscribing for stock in an amount equal to 5 percent of the loan granted—and in a very short time will have accomplished this worth-while goal. There are 12 land banks in the system, and at present 11 of these banks have paid back every cent of Government capital and are really and truly farmer-owned and farmer-controlled, and the remaining bank, the St. Paul bank, in a few years will have retired all of its Government capital, at which time the whole system will become farmer-owned and farmer-controlled. This has been accomplished by the farmers, when obtaining loans, purchasing stock in the amount of 5 percent of the loans so obtained.

And attention is also called to the fact that in recent years due to greater efficiency in administration and improvement in farm prices the Federal land-bank system has been able to greatly reduce its loans, both in numbers and amount, and also its personnel. From 1938 to 1945 the record shows:

	1933	1945	Percent reduction
Number of loans.....	1, 086, 272	644, 518	59.3
Amount of loans.....	\$2, 803, 764, 000	\$1, 370, 123, 000	48.9
Number Federal land-bank central-office employees.....	205	97	40.1
Federal land-bank district employees.....	5, 024	2, 014	47.3

(b) *Federal Farm Mortgage Corporation.*—The Federal Farm Mortgage Corporation was set up in 1933 in order to go to the relief, not only of the farmers, but to the relief of the banks, insurance companies, and other financial institutions holding farm-mortgage paper. Under the act of May 12, 1933, creating the Federal Farm Mortgage Corporation, the sum of \$200,000,000—all of which except \$50,000,000 has been returned by the Corporation to the Government—was made available to the land bank commissioners for the purpose of making loans to farmers on the security of a first or second lien on real estate or personal property in an amount not to exceed 75 percent of the appraised normal value of the security. These loans, commonly known as commissioner loans, were handled by the Federal land banks.

The Federal Farm Mortgage Corporation makes two types of loans, known as the first- and second-mortgage commissioner loans. The

type known as the first-mortgage commissioner loan is made principally in those areas where the risk is high and consequently no local farm-loan association, confined as it is to a small local area, can safely assume the risk. However, when the risk is spread over the entire United States, as these commissioner loans are, the losses are greatly minimized. This loan is based upon the same principle, insurance companies operate under. These high-risk areas are usually found in irrigation, drainage, and levee districts; areas subject to excessive field erosion or erosive action of streams; and where the character of farming is undergoing a change. The second type of loan, known as the second-mortgage commissioner loan, is supplemental to the straight land-bank loan, and today is widely used in order to service farmers who are unable to get by on straight land-bank loans. For instance, suppose a farmer needs \$7,500. He applies to his local Federal land-bank association for the loan. Land-bank appraisers are sent upon the farm to make an appraisal, based upon its normal agricultural value; that is, upon the earning capacity of the farm during normal times. The appraisers, we will say, value the farm, based upon the normal value yardstick at \$10,000. The land bank, of course, could only lend 65 percent of this value, or \$6,500 which would be \$1,000 short of the farmer's need. Now if it were not for the second-mortgage commissioner loan the farmer would be forced to go to other sources for his loan, but with this supplemental service what happens is this: He is granted a land-bank loan for \$6,500 at 4 percent interest, taking stock in the local land-bank association for 5 percent of the amount of the loan, and granted a second-mortgage commissioner loan for \$1,000 at 5-percent interest.

The commissioner loans, first and second, are both needed in order to adequately serve the farmers of America, and should be continued until there is worked out the proper changes in the Federal Farm Loan Act to take care of the service these loans at present are rendering the farmers.

The commissioner loans, originally inaugurated to meet the desperate emergency occasioned by the depression in the thirties not only successfully took care of the emergency, but, from purely a business standpoint, so far, have proven highly successful. The financial statement of the Federal Farm Mortgage Corporation as of December 31, 1945, is as follows:

Land Bank Commissioner loan operations, May 12, 1933, to Dec. 31, 1945, inclusive

[Even thousands of dollars]

Earnings:

Interest on mortgage loans, purchase-money mortgages, etc.	\$369, 461, 000
Loan fees	12, 012, 000
Other fees and miscellaneous income	1, 386, 000

Gross earnings	382, 859, 000
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Deductions:

Interest expense	150, 375, 000
Operating expense:	
District offices	107, 400, 000
Central office	12, 182, 000

Total deductions	269, 957, 000
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Net earnings	112, 902, 000
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Land Bank Commissioner loan operations, May 12, 1933, to Dec. 31, 1945, inclusive—Continued

Less: Loss on mortgage-loan and real-estate transactions-----	\$62, 145, 000
	50, 757, 000
Interest at 2 percent on all Government capital-----	39, 708, 700
Net balance-----	11, 048, 290
Reserve set aside to cover future losses-----	68, 998, 396

On the same date, namely, December 31, 1945, there were outstanding commissioner loans in the sum of \$228,397,216. Hence, the financial statement reveals, it is believed, the best record ever made by a governmental emergency agency, namely:

(1) After paying all losses, amounting to \$62,145,000, the Corporation has net earnings of \$50,757,000.

(2) The Corporation has a reserve fund set aside to take care of all future lossess of \$68,998,396, which is 30 percent of the outstanding loans. This reserve is three or four times the amount of the anticipated losses.

(3) If the Corporation paid the Government interest on all capital advanced at the rate of 2 percent, which would amount to \$39,708,710, it would still have a net operating profit of \$11,048,290, and a reserve fund of \$68,998,396.

There is no other emergency agency, so far as we know, that has a comparable record.

The land bank loans until June 30, 1945, were limited to 50 percent of the normal agricultural value of the farm plus 20 percent of the permanent insurable improvements. Under this yardstick of determining values the loans in truth and in fact were about 43 percent of the normal agricultural value of the farm.

During the early part of 1945 a bill was introduced revamping the Federal Farm Loan Act along lines that experience dictated were necessary in order to bring about greater efficiency and service. At that time a careful study by the House Committee on Agriculture was made of the whole act. Among the changes recommended was raising the loan limitation from 50 to 65 percent of the normal agricultural value of the farm. The Congress approved of this recommendation, and on June 30, 1945, this recommendation became law.

At the time the House Committee on Agriculture held hearings on the bill revamping the Federal Farm Loan Act, careful consideration was given to commissioner loans, and while the hope was expressed that in raising the loan limit from 50 to 65 percent commissioner loans could be discontinued, the bill extended the loaning authority of the Federal Mortgage Corporation for a period of 1 year in order for the Farm Credit Administration to give further study to the problem. In reporting the bill to the House, the committee stated:

The authority for the making of Land Bank Commissioner loans will expire under the present law on June 30, 1945. The bill as introduced would have extended this lending authority for an additional period of 2 years. This has been reduced by the committee to an extension of 1 year as provided by section 13 of the bill as reported. This will be sufficient time to observe the extent to which the change in the lending power of the Federal land banks under section 4 (c) of the bill will make it possible for them to make loans which have heretofore required credit from the Land Bank Commissioner.

The Farm Credit Administration made a thorough and complete study and embodied its findings in a printed report under the title "Study of Federal Land Bank and Commissioner Loans Made Through 1945." This study gives a complete picture of the operations of the Federal land bank system from the very beginning, and its reading is recommended to those who really want to obtain a better knowledge of the system. We believe that it is not inappropriate to commend Governor Duggan and his able assistants upon the thorough manner in which this study was made. Based upon this study the Secretary of Agriculture recommended to the committee that commissioner loans be continued for a period of 2 years in order to give further time to the consideration of the problem. This request is thought to be not only reasonable but proper. Further time is needed in order to make a proper study of the problem, and then, too, the next Congress should have ample time to go into the matter thoroughly. If an extension of only 1 year is made, the next Congress would only have 6 months within which to work the matter out. Moreover, the financial statement shows that the extension will involve no loss to the Government.

The study referred to, also, among other things, shows that since July 1, 1945, the date on which the loan limit was advanced from 50 to 65 percent, until March 31, 1946, loans have been made as follows:

	Number	Amount
Land bank loans.....	18,043	\$81,522,000
First-mortgage commissioner loans.....	1,874	3,064,000
Second-mortgage commissioner loans.....	8,483	6,610,000
Total.....	28,400	91,196,000

Hence, the study shows that even after the loan limit was raised from 50 to 65 percent, had it not been for the commissioner loans, 10,357 of the 28,400 farmers applying for loans could not have been served by the land banks. In other words, 37 percent of the farmers applying for loans could not have been served by their own institution.

Let us take the record, as revealed by the study, for the year 1945. In 1945 loans were made as follows:

	Number	Amount
Land bank-loans.....	22,005	\$92,986,000
First-mortgage commissioner loans.....	3,684	6,470,000
Second-mortgage commissioner loans.....	15,320	22,415,000
Total.....	41,909	121,871,000

Hence, the study shows that during the year 1945, had it not been for the commissioner loans, 19,004 of the 41,909 farmers applying for loans could not have been served by the land banks. In other words during the year 1945 a fraction over 45 percent of the farmers applying for loans could not have been served by their own institution.

Another thing with respect to these commissioner loans that we desire to call attention to is the fact that under the changes made in the Federal Farm Loan Act when it was revamped last year, the law

now forces the holders of commissioner loans to go into the land bank system as soon as they qualify. The present situation is this:

(1) All farmers who can qualify for land bank loans are required to take such loans. These farmers are required to take 5 percent of the loan in stock but are only charged 4-percent interest.

(2) When the 65-percent limitation will not give the farmer the amount of loan he needs, then he is forced to take a land bank loan for 65 percent of the normal agriculture farm value and is given a second commissioner loan for the extra 10 percent. He takes stock for that part of the loan carried by the land bank, which, of course is at 4-percent interest, and pays interest at the rate of 5 percent on that part of the loan covered by the second commissioner loan.

(3) If, on account of the risk involved, the farmer is not eligible for a land bank loan, he is given a first commissioner loan and pays 5-percent interest thereon. As soon, however, as the risk is removed, the farmer is required to convert his commissioner loan into a land-bank loan.

The farmers have cooperated in maintaining the system, and the land banks have experienced no trouble in getting farmers to convert from commissioner to land-bank loans as soon as they become eligible. Last year 39,084 (July 1, 1945, to March 31, 1946) farmers holding commissioner loans converted their loans into land-bank loans.

REASONS FOR EXTENDING COMMISSIONER LOANS

(1) The authority of the Federal land banks to make loans up to 65 percent of the normal agricultural value became effective less than 12 months ago and the actual lending program under that authority has necessarily been in operation only approximately 9 months. Although the Farm Credit Administration diligently undertook a study to see whether the 65-percent lending authority would enable the land bank system to attain its goal of complete farmer ownership within a reasonable period of time, as desired by the Congress, it has not been humanly possible for the Farm Credit Administration, within the short time available and operating under wartime conditions, to make an accurate recommendation as to the ultimate effect on this cooperative land bank system of discontinuing the authority for the Land Bank Commissioner loans. Such evidence as has been obtained, however, indicates that the system must be in position to offer farmers mortgage loans up to the extent of 75 percent of normal agricultural value in order to survive without subsidy in the form of congressional appropriations from time to time, increased Government capital, or increased interest rates to farmers.

(2) If the maximum loan which can be made is reduced to 65 percent of normal agricultural value and the volume of business declines further, especially in the areas where the loans are small, it may be necessary to make a substantial increase in interest rates in order to continue the services and pay operating costs. We think that it is much better to extend the authority for Land Bank Commissioner loans for 2 years than to incur the risk of having to increase the interest rates to farmers.

(3) Until such time as Farm Credit Administration and the land banks are in position to make a positive recommendation as to the maximum loan in relation to normal agricultural value which a cooperative system can safely make, it would seem unfair to those present

stockholders and members of the system who have built up the reserves in the system to deprive them of the aid of the Commissioner lending authority.

(4) The study conducted by Farm Credit Administration and the Federal land banks shows that, during the last half of 1945, for example, approximately 45.7 percent of the land bank and commissioner loans which were made by the banks would not have been made if there had not been authority in the system to go up to 75 percent of the normal agricultural value. With many private lenders basing their loan rates on present inflated values, with ample funds available in the hands of these lenders, the usual normal lending volume of the land banks would, in any event, be curtailed. But, to remove from the system at this time the added 10 percent of loan value which it can utilize through the Commissioner's lending authority, would be a step toward reducing the system to some sort of stand-by organization which might not be able to remain as an efficient and effective farmers' cooperative lending organization without Government subsidy or increased interest charges to its borrowers.

(5) There is nothing in the record to indicate that other private lenders are as concerned with the interests of the farmers in making loans as the cooperative land-bank system. Farm Credit Administration has a creditable record of carrying out the congressional mandate embodied in the original act of contributing to "agricultural development." Private lenders, on the other hand, in most instances are concerned primarily with the safety of their funds and profits on their investments in the form of interest. As a result of these different points of view, private lenders in most cases are highly selective as to areas, often lending in only the best areas and in many cases only to the best farmers in these areas. This may make it impossible for the other farmers to obtain farm mortgage funds at reasonable rates if the cooperative land-bank system cannot lend as much as 75 percent of the normal agricultural value.

(6) There can be no disadvantage to the Government in continuing the authority for Land Bank Commissioner loans for 2 more years. Since the Federal Farm Mortgage Corporation commenced operations in 1934, it has created an earned surplus of over \$50,757,000 which can be used to meet any losses on future loans. In addition, it has set up approximately \$68,998,396 as a direct valuation reserve against loans already made. Aside from the \$50,757,000, the \$68,998,396 in reserves are estimated by Farm Credit Administration to the greatly in excess of the losses that will be sustained on its loans. Such valuation reserves are among the other evidences of the sound and conservative practices of Farm Credit Administration in its lending operations. The ample reserves created in the operations of the Federal Farm Mortgage Corporation are further justification for the Congress relying upon the sound judgment of the Secretary of Agriculture, the Farm Credit Administration, and 11 of the 12 Federal land banks, with the approval of the Bureau of the Budget, in asking that the Commissioner's lending authority be extended for two more years.

(7) There is certainly no reasonable prospect for loss to the Government by extending the Commissioner's lending authority for the additional 2 years. There is no reason to believe that Farm Credit Administration would depart from the sound practices in lending which it has heretofore followed. In addition, the evidence shows that it requires, at the present time, only a small amount of funds to make

the Land Bank Commissioner loans. Of the approximately \$43,-697,000 of loans between the percentages of 65 and 75 percent of normal agricultural value made by the Federal land-bank system with second-mortgage commissioner loans during the period July 1, 1945, to March 31, 1946, only approximately \$5,000,000 of first- and second-mortgage loan funds was required from the Federal Farm Mortgage Corporation.

Attached is a table showing the volume of Federal land bank and Land Bank Commissioner loans for the period 1925 through December 31, 1945.

(8) The Commissioner's lending authority is being utilized in such a way as to foster, rather than interfere with, the growth of the land bank system as a farmer-owned and farmer-controlled system. The land banks, themselves, are the agencies used by the Land Bank Commissioner for making and servicing Land Bank Commissioner loans. Thus, they have the opportunity as well as the duty to utilize the Commissioner's lending powers in such a way as to aid, rather than deter, the growth of the cooperative farm-mortgage credit principle. The record bears out the fact that the banks have performed this duty properly in the past and are doing so at the present time.

(9) It would seem that the Congress would be playing into the hands of private interests and acting against the welfare of the farmers if it did not grant the extension. It is admitted that the land-bank program has reduced interest rates to farmers. It is apparent also that these high interest rates may return unless the extension is granted. We believe that the land-bank system must be maintained as an efficient and going organization with adequate authority to serve promptly, and without waiting for congressional action, those worthy farmers who prefer or require the cooperative system as a means for obtaining their farm-mortgage credit. We think that it would be illogical and that it is unnecessary to cripple the cooperative farm-mortgage system by allowing the authority to expire.

(10) There is no prospect of cost or loss to the Government by continuing the authority. But, if the authority is not continued at least during this period when others are lending on inflated values, the earnings of the banks may decline to where they must increase the interest rates charged their farmer borrowers.

OPPOSITION TO ENACTMENT OF H. R. 6477

As heretofore stated, the only opposition the hearing developed came from the Land Bank of Houston and the American Bankers Association.

(a) *Land Bank of Houston.*—The opposition of the Houston Land Bank is based on the belief that the commissioner loans should be discontinued and the land banks authorized to make loans up to 75 percent of the appraised normal agricultural value. As heretofore stated, we do not think we have had sufficient experience with 65-percent loans to take this step. Further study and experience are both desirable.

It may be that the solution to the high risk field loans and to bridge the gap between the 65- and 75-percent loans will be found in giving the Federal land banks authority to make loans similar to those now made by the Federal Farm Mortgage Corporation (commissioner

loans), charging an extra rate of interest for such loans, and setting aside the extra interest charge as a reserve fund against losses.

(b) *American Bankers Association*.—It is unfortunate that the American Bankers Association saw fit to enter into the controversy by advocating the cutting off of all commissioner loans as of June 30 of this year. We cannot believe that the association gave very much, if any, consideration to the question. Surely this committee has expressed every desire to preserve private lending agencies in every way, and not to hamper or burden them by setting up competitive farm-lending agencies operating on Government capital. This committee, on more than one occasion, has expressed the desire to see all farm-lending agencies farmer owned and farmer controlled; but in bringing this working objective about, we cannot believe that either the committee or the American Bankers Association desire to either destroy or cripple our great Federal land-bank system. Only this year this committee brought in legislation laying the foundation upon which to erect the farm-lending agencies, with the avowed purpose in mind of following up the legislation with further legislation to coordinate and properly integrate the agencies. The American Bankers Association joined in this worthy undertaking. Yet, we now find the American Bankers Association rushing in, in an attempt to cripple, if not destroy, the greatest of these farm-lending agencies, the Federal land-bank system.

Probably it would not be out of place to remind the American Bankers Association of some of the governmental subsidies and concessions the banks of this country have been enjoying over the years. Lest we forget, let us catalog a few of them:

1. Private banks buy and sell Government bonds, notes, and certificates. They have made profits on the purchase and sale of Government obligations. Bonds are priced to allow handling charges for the banks.

2. Banks have a large volume of Government deposits on which no interest is paid. Banks purchase Government bonds, notes, and certificates and establish an account for the Government on which they pay no interest.

3. The Federal Reserve banks help their member banks to avoid losses on Government bonds bought by the member banks by furnishing an immediate market for the bonds.

4. According to the annual report of the Federal Deposit Insurance Corporation transmitted August 21, 1945, the Government has a substantial investment of non-interest-bearing capital (\$150,000,000) in the Federal Deposit Insurance Corporation for the benefit of the banks.

5. The Government is guaranteeing loans by banks including GI loans, housing loans, and loans to small business.

6. The Reconstruction Finance Corporation, a wholly Government-owned corporation, has been, and still is, rendering numerous services to private banks.

7. The banks have available without cost a large volume of free funds made up of deposits by the Government and the public generally.

8. The private banking system through the Federal Reserve System has the power to issue currency.

It ill behooves the American Bankers Association to rush in and call the kettle black. We are striving, in a sensible and constructive way,

to bring about farmer-owned and farmer-controlled lending agencies, agencies that are free of all Government subsidies and concessions, and if the American Bankers Association would take a like view and make a like effort, we would probably get along a little better. Certainly it is not asking too much to ask the American Bankers Association to clean its own house before voluntarily offering its services to clean house for the farmers.

TO SUMMARIZE

(1) Cutting off the commissioner loans as of June 30, 1946, as provided for in the amendment adopted by the committee, means, at best, that no commissioner loans could be made until some time next year. Congress will adjourn in a short while, certainly until after the election, probably to the first of the year, and no action could be taken to revive such loans until Congress gets back in session.

(2) If such loans are cut off on June 30, 1946, some 40 or 50 percent of the farmers will be forced to abandon their own institution and go to some private lending agency for their loans. If such a condition should prevail, is it unreasonable to expect that the farmers will lose faith in a system that furnishes relief to so few?

(3) Cutting off such loans at one fell swoop will greatly cripple the Federal land-bank system, probably do irreparable damage to the system, in that it would greatly curtail the earning capacity of the system, and force the system to either run in the red or increase interest rates.

(4) The Federal land bank system has been a godsend to the farmers of America and should be strengthened, rather than weakened. It is operating efficiently and successfully at present without any cost to the Government, and common sense and just ordinary prudence dictate that it would be not only unwise, but manifestly unfair to the farmers of America who have their money invested in the system, to take hasty and uncalled-for action that would, in all probability, strike the system such a blow that it would take years to recover from. "Haste makes waste" is an oft-quoted maxim. Haste in this case may mean more than waste, it may mean the beginning of the end of a great institution that has served the farmers over the years faithfully and efficiently.

No wonder the farmers from one end of this land to the other are exercised over the action of the committee in cutting off the commissioner loans as of June 30 of this year. They are demanding that the system be held intact until time has been given to make a comprehensive study upon which action can be taken that will, at least, preserve to the farmers the service they are today enjoying under the system. This is not only a reasonable, it is a sensible, request, and one, in our opinion, the Congress should comply with.

Respectfully submitted.

JNO. W. FLANNAGAN, Jr., *Chairman.*

ORVILLE ZIMMERMAN.

PAT CANNON.

VICTOR WICKERSHAM.

JERRY VOORHIS.

THOMAS G. ABERNETHY.

EARLE C. CLEMENTS.

REID F. MURRAY.

Loans made, number and amount, by calendar years, Federal land-bank loans, 1925 through 1945, Land Bank Commissioner loans, 1933 through 1945

Year	Federal land banks		Land-bank commissioner loans						Total Federal land-bank and land-bank commissioner loans		
			First-mortgage loans		Seecnd-mortgage loans		Total commis-sioner loans				
	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	
1925-----	39,905	127,355								39,905	127,355
1926-----	36,893	131,317								36,893	131,317
1927-----	39,268	140,384								39,268	140,384
1928-----	26,988	102,236								26,988	102,236
1929-----	17,132	64,252								17,132	64,252
1930-----	12,572	47,971								12,572	47,971
1931-----	10,898	42,015								10,898	42,015
1932-----	7,208	27,570								7,208	27,570
1933-----	38,568	151,634	20,821	31,372	23,218	39,440	44,039	70,812	82,607	222,446	
1934-----	190,147	730,363	129,205	205,188	177,149	347,948	306,354	553,136	496,501	1,283,499	
1935-----	58,968	248,671	38,509	71,985	52,495	124,410	91,004	196,395	149,972	445,066	
1936-----	26,362	109,170	15,910	28,255	23,019	49,003	33,929	77,258	65,291	186,428	
1937-----	15,989	63,092	8,228	13,375	13,645	26,645	21,873	40,020	37,862	103,112	
1938-----	14,171	51,419	6,184	9,310	11,269	20,085	17,453	29,395	31,624	80,814	
1939-----	13,624	51,582	5,566	8,463	10,857	18,954	16,423	27,417	30,047	78,999	
1940-----	17,027	64,275	7,243	11,198	14,518	25,465	21,761	36,663	38,788	100,933	
1941-----	16,825	65,068	6,690	11,007	14,795	26,526	21,485	37,533	38,310	102,601	
1942-----	13,862	53,974	4,287	7,393	11,909	21,141	16,196	28,534	30,058	82,508	
1943-----	16,103	61,900	3,406	5,782	13,699	24,715	17,105	30,497	33,208	92,397	
1944-----	18,914	70,275	4,015	6,623	15,856	28,394	19,871	35,017	38,785	105,292	
1945-----	22,965	92,986	3,684	6,047	15,320	23,415	19,004	29,462	41,969	122,448	
Total-----	654,389	2,497,509	253,748	415,998	397,749	776,141	651,497	1,192,139	1,305,886	3,689,648	
Loans made, July 1, 1945, through Mar. 31, 1946-----	18,043	81,522	1,874	3,064	8,483	6,610	10,357	9,674	28,400	91,197	

Union Calendar No. 688

79TH CONGRESS
2D SESSION

H. R. 6477

[Report No. 2295]

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 1946

Mr. FLANNAGAN introduced the following bill; which was referred to the Committee on Agriculture

JUNE 17, 1946

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the eleventh sentence of section 32 of the Emergency
4 Farm Mortgage Act of 1933, as amended (title 12, U. S. C.,
5 1016), is amended by striking out "July 1, 1946" wherever
6 it appears therein and inserting in lieu thereof "July 1,
7 1948".
8 That the eleventh sentence of section 32 of the Emergency

1 *Farm Mortgage Act of 1933, as amended (title 12, U. S. C.,*
2 *1016), is amended by striking out "July 1, 1946" wherever*
3 *it appears therein and inserting in lieu thereof "July 1,*
4 *1951", changing the period at the end of such sentence to*
5 *a semicolon and adding the following: "and no loans, except*
6 *such refinancing loans, shall be made by him during the*
7 *period July 1, 1946, to July 1, 1951, except at such times*
8 *and for such periods of time as may be specified by concurrent*
9 *resolution or resolutions of the Congress."*

10 SEC. 2. The last two sentences of section 3 of the
11 Federal Farm Mortgage Corporation Act, as amended (title
12 12, U. S. C., 1020b) are amended to read as follows: "The
13 Federal Farm Mortgage Corporation is authorized to repay
14 to the Secretary of the Treasury on behalf of the United
15 States from time to time such portions of the amounts sub-
16 scribed to the capital stock of the Corporation as are found
17 by the board of directors to be in excess of the capital neces-
18 sary to enable the Corporation to carry out its functions as
19 authorized by law. The proceeds of such repayments shall
20 be held in the Treasury of the United States as a fund avail-
21 able for subscription, by the Governor on behalf of the United
22 States with the approval of the Secretary of the Treasury,
23 to the capital of the Corporation when, in the judgment of
24 the directors of the Corporation, additional subscriptions to
25 its capital are necessary."

Union Calendar No. 688

79TH CONGRESS
2d Session

H. R. 6477

[Report No. 2295]

A BILL

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

By Mr. FLANNAGAN

MAY 17, 1946

Referred to the Committee on Agriculture

JUNE 17, 1946

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

CONSIDERATION OF H. R. 6477

JUNE 24, 1946.—Referred to the House Calendar and ordered to be printed

MR. SABATH, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 675]

The Committee on Rules, having had under consideration House Resolution 675, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 423

79TH CONGRESS
2D SESSION

H. RES. 675

[Report No. 2323]

IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 1946

Mr. SABATH, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H. R. 6477) to amend
5 section 32 of the Emergency Farm Mortgage Act of 1933,
6 as amended, and section 3 of the Federal Farm Mortgage
7 Corporation Act, as amended, and for other purposes. That
8 after general debate, which shall be confined to the bill and
9 shall continue not to exceed one hour to be equally divided
10 and controlled by the chairman and the ranking minority
11 member of the Committee on Agriculture, the bill shall be
12 read for amendment under the five-minute rule. At the

1 conclusion of the reading of the bill for amendment the
 2 Committee shall rise and report the same to the House with
 3 such amendments as may have been adopted and the previous
 4 question shall be considered as ordered on the bill and amend-
 5 ments thereto to final passage without intervening motion
 6 except one motion to recommit.

House Calendar No. 423

79TH CONGRESS
2^D SESSION

H. RES. 675

[Report No. 2323]

RESOLUTION

Providing for the consideration of H. R. 6477,
 a bill to amend section 32 of the Emergency
 Farm Mortgage Act of 1933, as amended,
 and section 3 of the Federal Farm Mortgage
 Corporation Act, as amended, and for other
 purposes.

By Mr. SABATH

JUNE 24, 1946

Referred to the House Calendar and ordered to be
 printed



DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued June 28, 1946
For actions of June 27, 1946
79th-2nd, No. 125

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HIGHLIGHTS: House debated third deficiency appropriation bill. House passed bill to continue Land Bank Commissioner loans, with amendment providing for FCA study of how similar loans could be made through land-bank system. Senate continued debate on conference report on price-control bill. Senate committee reported Government corporations appropriation bill. Rep. LeFevre blamed OPA and strikes for farm-machinery shortage. Rep. Jensen criticized export subsidies on soil-depleting crops and lack of export subsidies on beef and pork.

HOUSE

- THIRD DEFICIENCY APPROPRIATION BILL.** Began debate on this bill, H.R. 6885 (pp. 7743-67). Agreed to resolution waiving points of order (p. 7743). Most of the debate was on the UNRRA item.
As reported (see Digest 124) this bill also included an item of \$57,000 for packing, transporting, etc., of household goods and personal effects of employees transferred from D.C. in order to be restored to duty in decentralized agencies after service in the armed forces.
- LAND BANK COMMISSIONER LOANS.** Passed with amendment H.R. 6477, to authorize continuation of Land Bank Commissioner loans until July 1, 1951; to limit such loans to refinancing for the period July 1, 1946, to July 1, 1951, except as may be otherwise specified by Congressional resolution; and to authorize repayment to the Treasury of capital in excess of that necessary to carry on the functions of the Federal Farm Mortgage Corporation (pp. 7767-74). During the debate Rep. Flannagan, Va., explained the provisions of the bill, commended FCA, and listed those for and against the bill (pp. 7767-74).
Agreed to Rep. Flannagan's amendment to provide for an FCA study of how similar loans could be made through the land-bank system (p. 7773).
- NAVAL APPROPRIATION BILL, 1947.** Received the conference report on this bill, H.R. 6496 (pp. 7733-5).
- D.C. APPROPRIATION BILL, 1947.** Agreed to conference report on this bill, H.R. 5990, and acted on amendments in disagreement (pp. 7735-43).

5. HOUSING. Passed without amendment S. 2341, to amend the National Housing Act so as to extend the authority of the Federal Housing Administrator to insure mortgages on existing houses, which otherwise would expire June 30, 1946 (p. 7767). This bill was reported earlier in the day (p. 7778).
6. FOREIGN RELATIONS. Received from this Department proposed legislation to provide for the inclusion of the Secretary of Agriculture as a member of the Export-Import Advisory Board and of the National Advisory Council of the International Bank for Reconstruction and Development. To Banking and Currency Committee. (p. 7778.)
7. PENALTY MAIL. Received from the Postmaster General a tabulated report by departments and agencies on penalty mail for the period July 1, 1945, to March 31, 1946. To Post Office and Post Roads Committee. (p. 7778)
8. BANK HOLIDAYS. The D.C. Committee reported without amendment H.R. 6744, to provide that every Saturday shall be a holiday for banks and building and loan associations (H.Rept. 2386) (p. 7778).
9. WAR POWERS. Received the conference report on H.R. 5716, to continue parts of the Second War Powers Act, including priorities powers (p. 7767).
The Judiciary Committee reported without amendment H.R. 6890, to amend the First War Powers Act regarding claims for property transferred to the Alien Property Custodian (H.Rept. 2398) (p. 7778).

SENATE

10. PRICE CONTROL. Continued debate on the conference report on H.R. 6042, to amend and extend the Price Control and Stabilization Acts (pp. 7783-862). There was discussion of prices on agricultural products throughout the debate. In urging removal of price controls on livestock and meat, Sens. Moore (Okla.) and Wilson (Iowa) quoted Secretary Anderson's testimony before congressional committees (pp. 7789-93, 7803-4).
11. GOVERNMENT CORPORATIONS APPROPRIATION BILL, 1947. The Appropriations Committee reported with amendments this bill, H.R. 6777 (S.Rept. 1617) (p. 7780). Sen. McKellar, Tenn., gave notice of a motion to suspend the rule and propose an amendment to this bill to provide that: "In order to meet emergencies or contingencies arising subsequent to approval of the Budget and not provided for in the Budget program, a corporation or agency covered by the provisions of this act may, with the approval of the President, adjust its budget program to provide, within the limits of available funds and borrowing authority, for the immediate initiation of programs authorized by law and not specifically set forth in the Budget." (p. 7782.)
12. MILITARY ESTABLISHMENT APPROPRIATION BILL, 1947. The Appropriations Committee reported with amendments this bill, H.R. 6837 (S. Rept. 1590) (p. 7780).
13. COAST GUARD APPROPRIATION BILL, 1947. The Appropriations Committee reported with amendments this bill, H.R. 6428 (S.Rept. 1616) (p. 7780).
14. LEGISLATIVE APPROPRIATION BILL, 1947. Both houses agreed to the conference report on this bill, H.R. 6429 (pp. 7732, 7745, 7802). This bill will now be sent to the President.
15. TRADE MARKS. Agreed to reconsideration of the vote for agreement to the conference report on H.R. 1654, to provide for the registration and protection of

Mr. CANNON of Missouri. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. COOLEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill H. R. 6885 had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent that all Members who have spoken on the bill today may extend their own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CANNON of Missouri asked and was given permission to extend his remarks and include certain amendments.

CORRECTION OF THE ROLL CALL

Mr. CANNON of Missouri. Mr. Speaker, on roll call 150, I am recorded as having voted "no." I voted "aye," and I ask unanimous consent that the RECORD and JOURNAL be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

INVESTIGATION OF CERTAIN INDIVIDUALS CHARGED WITH ESPIONAGE

Mr. ELLIOTT. Mr. Speaker, from the Committee on Accounts I submit the following privileged resolution (H. Res. 682) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That the expenses of conducting the investigation authorized by House Resolution 430, to authorize the Committee on the Judiciary to conduct an investigation of the disposition of the case against certain individuals charged by the Federal Bureau of Investigation with espionage and possession of confidential Government documents, including such printing and binding and the employment of such clerical, stenographic, and other assistance as the committee may deem necessary, and all other expenditures, shall be paid out of the contingent fund of the House on vouchers authorized by the committee signed by the chairman thereof and approved by the Committee on Accounts, but shall not exceed \$2,500.

The resolution was agreed to.

A motion to reconsider was laid on the table.

ELECTION TO STANDING COMMITTEE OF THE HOUSE

Mr. DOUGHTON of North Carolina. Mr. Speaker, I offer a resolution (H. Res. 683), which I send to the desk.

The Clerk read the resolution, as follows:

Resolved, That FRANK BUCHANAN, of the State of Pennsylvania be, and he is hereby, elected a member of the following standing committees of the House of Representatives: On Census, Flood Control, and Elections No. 3.

The resolution was agreed to.

AMENDING THE NATIONAL HOUSING ACT

Mr. SPENCE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill S. 2341, an act to amend the National Housing Act, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, will the gentleman explain this bill?

Mr. SPENCE. This bill merely extends the authority of the Federal Housing Administrator to insure mortgages on existing houses, which otherwise would expire on the 30th of this month. It gives him no additional authority. They are acting within the authorization previously granted them by the Congress.

Mr. MARTIN of Massachusetts. It is a unanimous report of the committee?

Mr. SPENCE. There was no objection in the committee to the report, and I understand there is no objection by anybody to the bill.

Mr. GAMBLE. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. GAMBLE. This is section 2 of the Federal Housing Act?

Mr. SPENCE. Section 2 of the Federal Housing Act.

Mr. MARTIN of Massachusetts. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That section 203 (a) of the National Housing Act, as amended, is hereby amended by striking out the second and third provisos and by striking out the colon at the end of the first proviso and inserting in lieu thereof a period.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING THE FIRST WAR POWERS ACT

Mr. HOBBS. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary may have until midnight tonight to file a report on the bill (H. R. 6890) to amend the First War Powers Act of 1941.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, will there likely be minority views filed?

Mr. HOBBS. Not that I know of.

Mr. MARTIN of Massachusetts. Would the gentleman make the same request, in the event there are minority views to be filed?

Mr. HOBBS. Certainly. I include that in the request, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Alabama [Mr. HOBBS]?

There was no objection.

AMENDING THE SECOND WAR POWERS ACT OF 1942, AS AMENDED

Mr. HOBBS, from the Committee on the Judiciary, submitted the following conference report and statement on the bill H. R. 5716, an act to amend the Second War Powers Act of 1942, as amended, for printing in the RECORD:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5716) to amend the Second War Powers Act, 1942, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"Sec. 2. Title XV of such Act, as amended, is amended by inserting at the end thereof a new section as follows:

"SEC. 1503. Nothing contained in this Act or any other Federal Act (except the Emergency Price Control Act of 1942, as amended, the Stabilization Act of 1942, as amended, or the District of Columbia Emergency Rent Act, approved December 2, 1941, as amended), shall be construed to authorize the establishment by any officer or agency of the Government of maximum prices for any commodity or maximum rents for any housing accommodations."

And the House agree to the same.

HATTON W. SUMNERS,

SAM HOBBS,

C. E. HANCOCK,

Managers on the Part of the House.

JOSEPH C. O'MAHONEY,

JAMES W. HUFFMAN,

HOMER FERGUSON,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 5716) to amend the Second War Powers Act, 1942, as amended, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report.

The Senate passed the bill after amending it to provide that nothing contained therein or any other act (except the Emergency Price Control Act of 1942, as amended, or the Stabilization Act of 1942, as amended), shall be construed to authorize the establishment by any officer or agency of the Government of maximum prices for any commodity or maximum rents for any housing accommodations. The House disagreed to the Senate amendment and requested the conference, to which the Senate agreed.

The House receded from its disagreement to the amendment of the Senate after it was modified to make clear the reference was to any Federal act, and to exempt also the District of Columbia Emergency Rent Act, approved December 2, 1941, as amended.

HATTON W. SUMNERS,

SAM HOBBS,

C. E. HANCOCK,

Managers on the Part of the House.

EMERGENCY FARM MORTGAGE ACT OF 1933

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 6477) to amend section 32 of the Farm Mortgage Act of 1933, as amended, and

section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

The **SPEAKER**. Is there objection to the request of the gentleman from Virginia?

Mr. **HOPE**. Mr. Speaker, reserving the right to object, will the gentleman make some explanation of the bill, particularly the necessity for action at this time?

Mr. **FLANNAGAN**. I intend to offer an amendment to strike all after the enacting clause and extend what is known as commissioner loans for 1 year. The commissioner loans will expire on the 30th of this month if not renewed and I think now that all of the members of the Committee on Agriculture are of the opinion that this extension should be made in order to give the committee time to work out, if possible, a way of servicing these farmers, who are now being serviced by commissioner loans, by similar loans made through the Federal Land Bank System.

Mr. **HOPE**. May I ask the gentleman, is it not the understanding of the committee that if this extension is made consideration will be given before the matter comes up again to work out some program which will make it unnecessary to have further extensions of this act?

Mr. **FLANNAGAN**. I have a section 3 to the amendment I shall offer which directs the administration to make a thorough study of the situation and make recommendations to the committee not later than March 1 next year, so we will have time enough to work out legislation before the end of the year.

Mr. Speaker, the amendment I have offered would simply extend what is commonly known as the commissioner loans for a period of 1 year, this in order to give further time to the question as to how the farmers who at present are served by reason of the commissioner loans may be served in a similar manner under the Federal farm bank system.

H. R. 6477, as originally introduced, would have extended the commissioner loans for a period of 2 years. The House Committee on Agriculture adopted an amendment to the bill striking out the provision in the bill extending the commissioner loans for 2 years, and in lieu thereof prohibiting the making of such loans unless, and until, the Congress by joint resolution specifically authorized the making of such loans.

Permit me to first draw the issue: H. R. 6477, as introduced, extends the lending authority of the Federal Farm Mortgage Corporation, which expires on June 30, 1946, for a period of 2 years. This means that the authority to make commissioner loans would be extended for a period of 2 years. The amendment to the bill, adopted by the committee by a vote of 11 to 8, and herein complained of, while extending the lending power of the Corporation for a period of 5 years, prohibits the exercise of this lending power unless, and until the Congress, by concurrent resolution expressly authorizes the Federal Farm Mortgage Corporation to make loans. In other words, the amendment while extending the lending power to make commissioner loans for a period of 5 years would, as of

June 30, 1946, prohibit the making of all commissioner loans, and this prohibition could only be lifted by concurrent resolution passed by the Congress. To say the least, such action smacks of the philosophy enunciated by the mother in graciously giving her consent to her daughter's request to go swimming:

"Mother, may I go out to swim?"

"O, yes, my darling daughter,
But hang your clothes on a hickory limb
And do not go nigh the water."

In the second place permit me to line up the forces for and against H. R. 6477:

- First. The Secretary of Agriculture.
- Second. The Governor of the Farm Credit Administration.
- Third. The Land Bank Commissioner.
- Fourth. Eleven of the twelve Federal land banks.
- Fifth. The National Grange.
- Sixth. The American Farm Bureau.
- Seventh. The National Council of Farmer Cooperatives.
- Eighth. The National Cooperative Milk Producers Federation.
- Ninth. The National Farmers Union.
- Tenth. The Bureau of the Budget—approved.

Against H. R. 6477 as introduced; that is, for H. R. 6477 as amended so as to cut off the authority to make commissioner loans as of June 30, 1946:

- First. The American Bankers Association.
- Second. The Federal Land Bank of Houston.

BACKGROUND

In order to understand the issue it is necessary to give a brief history of both the Federal land-bank system and the Federal Farm Mortgage Corporation.

(a) Federal land-bank system: The Federal Land Bank Act of 1916, creating the Federal land-bank system, designed "to provide capital for agricultural development" and to "equalize rates of interest upon farm lands," has more than justified its existence. Had it no other

accomplishment to its credit than the reduction of farm interest rates from a national average of 6½ percent in 1916 to 4 percent in 1946, it would be considered a Godsend to the farmers of America. Add to this accomplishment the bailing out of the banks, insurance companies, and other farm mortgage lending institutions, during the depression, when loans in 1 year jumped from \$222,446,223—1933—to \$1,283,503,456—1934—over \$1,000,000,000—thus saving not only thousands of farmers, but thousands of financial institutions holding farm mortgage paper by swapping cool cash for their agricultural paper, and you begin to realize what an important part the system has played in our financial picture.

While the Federal Government supplied the original capital that went into the land bank system, the system was designated from the first to become farmer-owned and farmer-controlled, this objective to be accomplished by the farmers subscribing for stock in an amount equal to 5 percent of the loan granted, and in a very short time will have accomplished this worth-while goal. There are 12 land banks in the system, and at present 11 of these banks have paid back every cent of Government capital and are really and truly farmer owned and farmer-controlled, and the remaining bank, the St. Paul bank, in a few years will have retired all of its Government capital, at which time the whole system will become farmer-owned and farmer-controlled. This has been accomplished by the farmers, when obtaining loans, purchasing stock in the amount of 5 percent of the loans so obtained.

I also call attention to the fact that in recent years due to greater efficiency in administration and improvement in farm prices the Federal land bank system has been able to greatly reduce its loans, both in numbers and amount, and also its personnel. From 1938 to 1945 the record shows:

	1938	1945	Percent reduction
Number of loans.....	1,086,272	644,518	59.3
Amount of loans.....	\$2,803,764,000	\$1,370,123,000	48.9
Number of Federal land bank central office employees.....	205	97	40.1
Federal land bank district employees.....	5,024	2,014	47.3

(b) Federal Farm Mortgage Corporation: The Federal Farm Mortgage Corporation was set up in 1933 in order to go to the relief not only of the farmers but to the relief of the banks, insurance companies, and other financial institutions holding farm-mortgage paper. Under the act of May 12, 1933, creating the Federal Farm Mortgage Corporation, the sum of \$200,000,000—all of which except \$50,000,000 has been returned by the Corporation to the Government—was made available to the land-bank commissioners for the purpose of making loans to farmers on the security of a first or second lien on real estate or personal property in an amount not to exceed 75 percent of the appraised normal value of the security. These loans, commonly known as commissioner loans, were handled by the Federal land banks.

The Federal Farm Mortgage Corporation makes two types of loans, known as the first- and second-mortgage commissioner loans. The type known as the first-mortgage commissioner loan is made principally in those areas where the risk is high and consequently no local farm-loan association, confined as it is to a small local area, can safely assume the risk. However, when the risk is spread over the entire United States, as these commissioner loans are, the losses are greatly minimized. This loan is based upon the same principal insurance companies operate under. These high-risk areas are usually found in irrigation, drainage, and level districts; areas subject to excessive field erosion or erosive action of streams; and where the character of farming is undergoing a change.

The second type of loan, known as the second mortgage commissioner loan, is supplemental to the straight land bank loan, and today is widely used in order to service farmers who are unable to get by on straight land bank loans. For instance, suppose a farmer needs \$7,500. He applies to his local Federal Land Bank Association for the loan. Land bank appraisers are sent upon the farm to make an appraisal, based upon its normal agricultural value; that is, upon the earning capacity of the farm during normal times. The appraisers, we will say, value the farm, based upon the normal value yardstick at \$10,000. The land bank, of course, could only lend 65 percent of this value, or \$6,500, which would be \$1,000 short of the farmer's need. Now if it were not for the second mortgage commissioner loan the farmer would be forced to go to other sources for his loan, but with this supplemental service what happens is this: He is granted a land bank loan for \$6,500 at 4 percent interest, taking stock in the local Land Bank Association for 5 percent of the amount of the loan, and granted a second mortgage commissioner loan for \$1,000 at 5 percent interest.

The commissioner loans, first and second, are both needed in order to adequately serve the farmers of America, and should be continued until there is worked out the proper changes in the Federal Farm Loan Act to take care of the service these loans at present are rendering the farmers.

The commissioner loans, originally inaugurated to meet the desperate emergency occasioned by the depression in the thirties not only successfully took care of the emergency, but, from purely a business standpoint, so far, have proven highly successful. The financial statement of the Federal Farm Mortgage Corporation as of December 31, 1945, is as follows:

Land-bank commissioner-loan operations, May 12, 1933, to Dec. 31, 1945, inclusive

[Even thousands of dollars]

Earnings:

Interest on mortgage loans, purchase-money mortgages, etc.....	\$369,461,000
Loan fees.....	12,012,000
Other fees and miscellaneous income.....	1,386,000

Gross earnings.....	382,859,000
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Deductions:

Interest expense.....	150,375,000
Operating expense:	
District offices.....	107,400,000
Central office.....	12,182,000

Total deductions.....	269,957,000
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Net earnings.....	112,902,000
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Less: Loss on mortgage-loan and real-estate transactions.....	62,145,000
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	50,757,000
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Interest at 2 percent on all Government capital.....	39,708,700
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Net balance.....	11,048,290
Reserve set aside to cover future losses.....	68,998,396

On the same date, namely, December 31, 1945, there were outstanding commissioner loans in the sum of \$228,397,-

216. Hence, the financial statement reveals, it is believed the best record ever made by a governmental emergency agency, namely:

First. After paying all losses, amounting to \$62,145,000, the Corporation has net earnings of \$50,757,000.

Second. The Corporation has a reserve fund set aside to take care of all future losses of \$68,998,396, which is 30 percent of the outstanding loans. This reserve is three or four times the amount of the anticipated losses.

Third. If the Corporation paid the Government interest on all capital advanced at the rate of 2 percent, which would amount to \$39,708,710, it would still have a net operating profit of \$11,048,290, and a reserve fund of \$68,998,396.

There is no other emergency agency, so far as I know, that has a comparable record.

The land-bank loans until June 30, 1945, were limited to 50 percent of the normal agricultural value of the farm plus 20 percent of the permanent insurable improvements. Under this yardstick of determining values, the loans in truth and in fact were about 43 percent of the normal agricultural value of the farm.

During the early part of 1945 a bill was introduced revamping the Federal Farm Loan Act along lines that experience dictated were necessary in order to bring about greater efficiency and service. At that time a careful study by the House Committee on Agriculture was made of the whole act. Among the changes recommended was raising the loan limitation from 50 to 65 percent of the normal agricultural value of the farm. The Congress approved of this recommendation, and on June 30, 1945, this recommendation became law.

At the time the House Committee on Agriculture held hearings on the bill revamping the Federal Farm Loan Act, careful consideration was given to commissioner loans, and while the hope was expressed that in raising the loan limit from 50 to 65 percent, commissioner loans could be discontinued, the bill extended the loaning authority of the Federal Mortgage Corporation for a period of 1 year in order for the Farm Credit Administration to give further study to the problem. In reporting the bill to the House the committee stated:

The authority for the making of Land Bank Commissioner loans will expire under the present law on June 30, 1945. The bill as introduced would have extended this lending authority for an additional period of 2 years. This has been reduced by the committee to an extension of 1 year as provided by section 13 of the bill as reported. This will be sufficient time to observe the extent to which the change in the lending power of the Federal land banks under section 4 (c) of the bill will make it possible for them to make loans which have heretofore required credit from the Land Bank Commissioner.

The Farm Credit Administration made a thorough and complete study and embodied its findings in a printed report under the title "Study of Federal Land Bank and Commissioner Loans Made Through 1945." This study gives a complete picture of the operations of the Federal Land Bank System from the very

beginning, and its reading is recommended to those who really want to obtain a better knowledge of the system. I believe that it is not inappropriate to commend Governor Duggin and his able assistants upon the thorough manner in which this study was made. Based upon this study the Secretary of Agriculture recommended to the committee that commissioner loans be continued for a period of 2 years in order to give further time to the consideration of the problem. This request is thought to be not only reasonable but proper. Further time is needed in order to make a proper study of the problem, and then, too, the next Congress should have ample time to go into the matter thoroughly. If an extension of only 1 year is made the next Congress would only have 6 months within which to work the matter out. Moreover, the financial statement shows that the extension will involve no loss to the Government.

The study referred to, among other things, shows that since July 1, 1945, the date on which the loan limit was advanced from 50 to 65 percent, until March 31, 1946, loans have been made as follows:

	Number	Amount
Land-bank loans.....	18,043	\$81,522,000
First-mortgage commissioner loans.....	1,874	3,064,000
Second-mortgage commissioner loans.....	8,483	6,610,000
Total.....	28,400	91,196,000

Hence, the study shows that even after the loan limit was raised from 50 to 65 percent, had it not been for the commissioner loans, 10,357 of the 28,400 farmers applying for loans could not have been served by the Land Banks. In other words, 37 percent of the farmers applying for loans could not have been served by their own institution.

Let us take the record, as revealed by the study, for the year 1945. In 1945 loans were made as follows:

	Number	Amount
Land-bank loans.....	22,905	\$92,986,000
First-mortgage commissioner loans.....	3,654	6,470,000
Second-mortgage commissioner loans.....	15,320	22,415,000
Total.....	41,909	121,871,000

Hence, the study shows that during the year 1945, had it not been for the commissioner loans, 19,004 of the 41,909 farmers applying for loans could not have been served by the land banks. In other words during the year 1945 a fraction over 45 percent of the farmers applying for loans could not have been served by their own institution.

Another thing, with respect to these commissioner loans that we desire to call attention to is the fact that under the changes made in the Federal Farm Loan Act when it was revamped last year, the law now forces the holders of commissioner loans to go into the land-bank system as soon as they qualify. The present situation is this:

First. All farmers who can qualify for land-bank loans are required to take such loans. These farmers are required to take 5 percent of the loan in stock but they are only charged 4 percent interest.

Second. When the 65 percent limitation will not give the farmer the amount of loan he needs, then he is forced to take a land-bank loan for 65 percent of the normal agriculture farm value and is given a second commissioner loan for the extra 10 percent. He takes stock for that part of the loan carried by the land bank, which, of course, is at 4 percent interest, and pays interest at the rate of 5 percent on that part of the loan covered by the second commissioner loan.

Third. If, on account of the risk involved, the farmer is not eligible for a land-bank loan, he is given a first commissioner loan and pays 5 percent interest thereon. As soon, however, as the risk is removed, the farmer is required to convert his commissioner loan into a land-bank loan.

The farmers have cooperated in maintaining the system, and the land banks have experienced no trouble in getting farmers to convert from commissioner to land-bank loans as soon as they become eligible. Last year 39,084—July 31, 1945, to March 31, 1946—farmers holding commissioner loans converted their loans into land-bank loans.

REASONS FOR EXTENDING COMMISSIONER LOANS

First. The authority of the Federal land banks to make loans up to 65 percent of the normal agricultural value became effective less than 12 months ago and the actual lending program under that authority has necessarily been in operation only approximately 9 months. Although the Farm Credit Administration diligently undertook a study to see whether the 65-percent lending authority would enable the land bank system to attain its goal of complete farmer ownership within a reasonable period of time, as desired by the Congress, it has not been humanly possible for the Farm Credit Administration, within the short time available and operating under wartime conditions, to make an accurate recommendation as to the ultimate effect on this cooperative land bank system of discontinuing the authority for the Land Bank Commissioner loans. Such evidence as has been obtained, however, indicates that the system must be in position to offer farmers mortgage loans up to the extent of 75 percent of normal agricultural value in order to survive without subsidy in the form of congressional appropriations from time to time, increased Government capital, or increased interest rates to farmers.

Second. If the maximum loan which can be made is reduced to 65 percent of normal agricultural value and the volume of business declines further, especially in the areas where the loans are small, it may be necessary to make a substantial increase in interest rates in order to continue the services and pay operating costs. We think that it is much better to extend the authority for Land Bank Commissioner loans for 2 years than to incur the risk of having to increase the interest rates to farmers.

Third. Until such time as Farm Credit Administration and the land banks are in position to make a positive recommendation as to the maximum loan in relation to normal agricultural value which a cooperative system can safely make, it would seem unfair to those present stockholders and members of the system who have built up the reserves in the system to deprive them of the aid of the Commissioner lending authority.

Fourth. The study conducted by Farm Credit Administration and the Federal land banks shows that, during the last half of 1945, for example, approximately 45.7 percent of the land bank and commissioner loans which were made by the banks would not have been made if there had not been authority in the system to go up to 75 percent of the normal agricultural value. With many private lenders basing their loan rates on present inflated values, with ample funds available in the hands of these lenders, the usual normal lending volume of the land banks would, in any event, be curtailed. But, to remove from the system at this time the added 10 percent of loan value which it can utilize through the Commissioner's lending authority, would be a step toward reducing the system to some sort of stand-by organization which might not be able to remain as an efficient and effective farmers' cooperative lending organization without Government subsidy or increased interest charges to its borrowers.

Fifth. There is nothing in the record to indicate that other private lenders are as concerned with the interests of the farmers in making loans as the cooperative land-bank system. Farm Credit Administration has a creditable record of carrying out the congressional mandate embodied in the original act of contributing to "agricultural development." Private lenders, on the other hand, in most instances are concerned primarily with the safety of their funds and profits on their investments in the form of interest. As a result of these different points of view, private lenders in most cases are highly selective as to areas, often lending in only the best areas and in many cases only to the best farmers in these areas. This may make it impossible for the other farmers to obtain farm-mortgage funds at reasonable rates if the cooperative land-bank system cannot lend as much as 75 percent of the normal agricultural value.

Sixth. There can be no disadvantage to the Government in continuing the authority for Land Bank Commissioner loans for 2 more years. Since the Federal Farm Mortgage Corporation commenced operations in 1934, it has created an earned surplus of over \$50,757,000 which can be used to meet any losses on future loans. In addition, it has set up approximately \$68,998,396 as a direct valuation reserve against loans already made. Aside from the \$50,757,000, the \$68,998,396 in reserves are estimated by Farm Credit Administration to be greatly in excess of the losses that will be sustained on its loans. Such valuation reserves are among the other evidences of the sound and conservative practices of Farm Credit Administration

in its lending operations. The ample reserves created in the operations of the Federal Farm Mortgage Corporation are further justification for the Congress relying upon the sound judgment of the Secretary of Agriculture, the Farm Credit Administration, and 11 of the 12 Federal land banks, with the approval of the Bureau of the Budget, in asking that the Commissioner's lending authority be extended for two more years.

Seventh. There is certainly no reasonable prospect for loss to the Government by extending the Commissioner's lending authority for the additional 2 years. There is no reason to believe that Farm Credit Administration would depart from the sound practices in lending which it has heretofore followed. In addition, the evidence shows that it requires, at the present time, only a small amount of funds to make the Land Bank Commissioner loans. Of the approximately \$43,697,000 of loans between the percentages of 65 and 75 percent of normal agricultural value made by the Federal land-bank system with second-mortgage commissioner loans during the period July 1, 1945, to March 31, 1946, only approximately \$5,000,000 of first- and second-mortgage loan funds was required from the Federal Farm Mortgage Corporation.

Following is a table showing the volume of Federal land bank and Land Bank Commissioner loans for the period 1925 through December 31, 1945.

Eighth. The Commissioner's lending authority is being utilized in such a way as to foster, rather than interfere with, the growth of the land-bank system as a farmer-owned and farmer-controlled system. The land banks, themselves, are the agencies used by the Land Bank Commissioner for making and servicing Land Bank Commissioner loans. Thus, they have the opportunity as well as the duty to utilize the Commissioner's lending powers in such a way as to aid, rather than deter, the growth of the cooperative farm-mortgage credit principle. The record bears out the fact that the banks have performed this duty properly in the past and are doing so at the present time.

Ninth. It would seem that the Congress would be playing into the hands of private interests and acting against the welfare of the farmers if it did not grant the extension. It is admitted that the land-bank program has reduced interest rates to farmers. It is apparent also that these high interest rates may return unless the extension is granted. We believe that the land-bank system must be maintained as an efficient and going organization with adequate authority to serve promptly, and without waiting for congressional action, those worthy farmers who prefer or require the cooperative system as a means for obtaining their farm-mortgage credit. We think that it would be illogical and that it is unnecessary to cripple the cooperative farm-mortgage system by allowing the authority to expire.

Tenth. There is no prospect of cost or loss to the Government by continuing the authority. But, if the authority is not continued at least during this period

when others are lending on inflated values, the earnings of the banks may decline to where they must increase the interest rates charged their farmer borrowers.

OPPOSITION TO ENACTMENT OF H. R. 6477

As heretofore stated, the only opposition the hearing developed came from the Land Bank of Houston and the American Bankers Association.

(a) Land Bank of Houston: The opposition of the Houston Land Bank is based on the belief that the commissioner loans should be discounted and the land banks authorized to make loans up to 75 percent of the appraised normal agricultural value. As heretofore stated, we do not think we have had sufficient experience with 65 percent loans to take this step. Further study and experience are both desirable.

It may be that the solution to the high risk field and to bridge the gap between the 65 and 75 percent loans will be found in giving the Federal land banks authority to make loans similar to those now made by the Federal Farm Mortgage Corporation—commissioner loans—charging an extra rate of interest for such loans, and setting aside the extra interest charge as a reserve fund against losses.

(b) American Bankers Association: It is unfortunate that the American Bankers Association saw fit to enter into the controversy by advocating the cutting off of all commissioner loans as of June 30 of this year. I cannot believe that the association gave very much, if any, consideration to the question. Surely this committee has expressed every desire to preserve private lending agencies in every way, and not to hamper or burden them by setting up competitive farm lending agencies operating on Government capital. This committee, on more than one occasion, has expressed the desire to see all farm lending agencies farmer-owned and farmer-controlled; but in bringing this working objective about, we cannot believe that either the committee or the American Bankers Association desire to either destroy or cripple our great Federal land bank system. Only this year this committee brought in legislation laying the foundation upon which to erect the farm lending agencies, with the avowed purpose in mind of following up the legislation with further legislation to coordinate and properly integrate the agencies. The American Bankers Association joined in this worthy undertaking. Yet, we now find the American Bankers Association rushing in, in an attempt to cripple, if not destroy, the greatest of these farm-lending agencies, the Federal land bank system.

Probably it would not be out of place to remind the American Bankers Association of some of the governmental subsidies and concessions the banks of this country have been enjoying over the years. Lest we forget, let us catalog a few of them:

First. Private banks buy and sell Government bonds, notes, and certificates. They have made profits on the purchase and sale of Government obligations.

Bonds are priced to allow handling charges for the banks.

Second. Banks have a large volume of Government deposits on which no interest is paid. Banks purchase Government bonds, notes, and certificates and establish an account for the Government on which they pay no interest.

Third. The Federal Reserve banks help their member banks to avoid losses on Government bonds bought by the member banks by furnishing an immediate market for the bonds.

Fourth. According to the annual report of the Federal Deposit Insurance Corporation, transmitted August 21, 1945, the Government has a substantial investment of noninterest-bearing capital—\$150,000,000—in the Federal Deposit Insurance Corporation for the benefit of the banks.

Fifth. The Government is guaranteeing loans by banks, including GI loans, housing loans, and loans to small businesses.

Sixth. The Reconstruction Finance Corporation, a wholly Government-owned corporation, has been, and still is, rendering numerous services to private banks.

Seventh. The banks have available without cost a large volume of free funds made up of deposits by the Government and the public generally.

Eighth. The private banking system, through the Federal Reserve System, has the power to issue currency.

It ill behooves the American Bankers Association to rush in and call the kettle black. We are striving, in a sensible and constructive way, to bring about farmer-owned and farmer-controlled lending agencies, agencies that are free of all Government subsidies and concessions, and if the American Bankers Association would take a like view and make a like effort, we would probably get along a little better. Certainly it is not asking too much to ask the American Bankers Association to clean its own house before voluntarily offering its services to clean house for the farmers.

TO SUMMARIZE

First. Cutting off the commissioner loans as of June 30, 1946, as provided for in the amendment adopted by the committee, means, at best, that no commissioner loans could be made until sometime next year. Congress will ad-

journal in a short while, certainly until after the election, probably to the first of the year, and no action could be taken to revive such loans until Congress gets back in session.

Second. If such loans are cut off on June 30, 1946, some 40 or 50 percent of the farmers will be forced to abandon their own institution and go to some private lending agency for their loans. If such a condition should prevail, it is unreasonable to expect that the farmers will lose faith in a system that furnishes relief to so few?

Third. Cutting off such loans at one fell swoop will greatly cripple the Federal land-bank system, probably do irreparable damage to the system, in that it would greatly curtail the earning capacity of the system and force the system to either run in the red or increase interest rates.

Fourth. The Federal land bank system has been a godsend to the farmers of America and should be strengthened, rather than weakened. It is operating efficiently and successfully at present without any cost to the Government, and common sense and just ordinary prudence dictate that it would be not only unwise, but manifestly unfair to the farmers of America who have their money invested in the system, to take hasty and uncalled for action that would, in all probability, strike the system such a blow that it would take years to recover from. "Haste makes waste" is an oft-quoted maxim. Haste in this case may mean more than waste, it may mean the beginning of the end of a great institution that has served the farmers over the years faithfully and efficiently.

No wonder the farmers from one end of this land to the other are exercised over the action of the committee in cutting off the commissioner loans as of June 30 of this year. They are demanding that the system be held intact until time has been given to make a comprehensive study upon which action can be taken that will, at least, preserve to the farmers the service they are today enjoying under the system. This is not only a reasonable, it is a sensible, request, and one, in our opinion, the Congress should comply with.

A complete picture of the loans made by the land banks from 1925 to 1945, and by the Land Bank Commissioner from 1933 to 1945 is as follows:

Loans made, number and amount, by calendar years, Federal land-bank loans, 1925 through 1945, Land Bank Commissioner loans, 1933 through 1945

Year	Federal land banks		Land Bank Commissioner loans						Total Federal land-bank and Land Bank Commissioner loans	
			First-mort-gage loans		Second-mort-gage loans		Total commis-sioner loans			
	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)	Num-ber	Dollars (000 omit-ted)
1925.....	39,905	127,355							39,905	127,355
1926.....	36,893	131,317							36,893	131,317
1927.....	39,268	140,384							39,268	140,384
1928.....	26,988	102,236							26,988	102,236
1929.....	17,132	64,252							17,132	64,252
1930.....	12,672	47,971							12,572	47,971
1931.....	10,898	42,015							10,898	42,015
1932.....	7,208	27,570							7,208	27,570
1933.....	88,568	151,634	20,821	31,372	23,218	39,440	44,039	70,512	82,607	222,446

Loans made, number and amount, by calendar years, Federal land-bank loans, 1925 through 1945, Land Bank Commissioner loans, 1933 through 1945—Continued

Year	Federal land banks		Land Bank Commissioner loans						Total Federal land-bank and Land Bank Commissioner loans	
			First-mortgage loans		Second-mortgage loans		Total commissioner loans			
	Number	Dollars (000 omitted)	Number	Dollars (000 omitted)	Number	Dollars (000 omitted)	Number	Dollars (000 omitted)	Number	Dollars (000 omitted)
1934	190,147	730,363	129,205	205,188	117,149	347,948	306,354	553,136	496,501	1,283,499
1935	58,568	248,671	38,509	71,985	52,495	124,410	91,004	196,395	149,972	445,066
1936	26,362	109,170	15,910	28,255	23,019	49,003	38,929	77,258	65,291	186,428
1937	15,989	63,092	8,228	13,375	13,645	26,645	21,873	40,020	37,862	103,112
1938	14,171	51,419	6,184	9,310	11,269	20,085	17,453	29,395	31,624	80,814
1939	13,624	51,582	5,566	8,463	10,857	18,954	16,423	27,417	30,047	78,999
1940	17,027	64,275	7,243	11,198	14,518	25,465	21,761	36,663	38,788	100,938
1941	16,825	65,068	6,690	11,007	14,795	26,526	21,485	37,533	38,310	102,601
1942	13,862	53,974	4,287	7,393	11,909	21,141	16,196	28,534	30,058	82,508
1943	16,103	61,900	3,406	5,782	13,699	24,715	17,105	30,497	33,208	92,397
1944	18,914	70,275	4,015	6,623	15,856	28,394	19,871	35,017	38,785	105,292
1945	22,965	92,986	3,684	6,047	15,320	23,415	19,004	29,462	41,969	122,448
Total	654,389	2,497,509	253,748	415,998	397,749	776,141	651,497	1,192,139	1,305,886	3,689,648
Loans made, July 1, 1945, through Mar. 31, 1946	18,043	\$1,522	1,874	3,064	8,483	6,610	10,357	9,674	28,400	91,197

Mr. Speaker, the extension of commissioner loans has been endorsed by all the great farm organizations, as shown by the following letters and telegrams from the National Grange, American Farm Bureau, National Council of Farmer Cooperatives, Farmers Educational and Cooperative Union, and National Cooperative Milk Producers Federation, which I ask unanimous consent to include in my remarks at this point:

THE NATIONAL GRANGE,
Washington, D. C., June 19, 1946.

MR. JOHN FLANNAGAN,
House of Representatives,
Washington, D. C.

DEAR MR. FLANNAGAN: As you know the authority of the Federal Farm Mortgage Corporation to make loans expires June 30 of this year. To meet the needs of farmers and meet the competition of other lenders, it has been necessary for the land banks to grant a supplemental or Commissioner loan in nearly half the cases of loans closed. After June 30, unless the right to make Commissioner loans is extended, it seems apparent that the banks will lose from a third to half their business. This loss would necessitate either a sharp curtailment in the loan facilities in district and field, or an increase in the interest rate, neither of which contingencies is in the interest of the farmers.

The National Grange has constantly worked to strengthen this farm-loan system, especially its cooperative features, and has tried to bring about conditions under which the direct loans by the Federal Farm Mortgage Corporation could be discontinued. However, we do not want to see the discontinuance effected in such a way that it will handicap or injure the cooperative land-bank system. At the time the Congress raised the loanable base from 50 percent to 65 percent, we strongly opposed the change on the following grounds:

1. We maintained that the interest rate on bonds would suffer by increasing the hazard, and all farmers would thus be penalized.

2. We maintained that these was a field for a 75-percent loan which would have to be filled, and that the banks would soon be back asking for the renewal of direct lending.

3. We maintained that loans in excess of 50 percent could be made on a self-supporting basis if the interest rate was increased sufficiently to meet the additional hazard, and that a system of applying such increases would enable the land banks to make the higher loans and thus eliminate the need for the Federal Farm Mortgage Corporation as a

lending institution. We proposed a definite practical way in which this could be done.

4. We said it would be far better to provide a permanent cure than a fair weather cure which would necessitate opening up the Federal Farm Mortgage Corporation with every squall.

During the year all 12 land banks have come to concede that we were right in our contention that the 65-percent loan would not fill the bill. A number of them also now agree on the principle we advocated for a higher-rate loan adjusted to meet the additional risk. We are confident that if the committee studies the question thoroughly, it will concur with us that the Federal Farm Mortgage Corporation can be discontinued as a lending agency and at the same time benefit instead of injuring the land-bank system, by adopting some plan similar to that which we have recommended. Obviously there is not time to develop and pass legislation of this kind before June 30. In fact that is a task which may require some months of research and study to develop it on a thoroughly sound basis, and since Congress is about to adjourn, and there would be little time before June 30, 1947, we recommend:

1. That the lending life of the Federal Farm Mortgage Corporation be extended to June 30, 1948.

2. That the Farm Credit Administration be requested to report to your committee recommendations for a loan system with a loanable base of 50 percent of the value of the farm, with a plan for increasing the interest rate to meet the increased hazards arising from advancing the loanable base from 50 percent to 75 or 80 percent.

Very truly yours,

A. S. Goss,
Master, the National Grange.

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., June 21, 1946.

HON. JOHN W. FLANNAGAN, JR.,
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D. C.

MY DEAR CHAIRMAN FLANNAGAN: We are very much concerned over the action taken by the House Committee on Agriculture in approving an amendment to H. R. 6477 which practically nullifies the authorization for commissioner loans by prohibiting any more such loans after June 30, 1946, unless both the Senate and the House by concurrent resolution specify when these loans may be made. We believe it would be a serious mistake to discontinue commissioner loans at this time, particularly due to the delay in the

enactment of the Flannagan bill, H. R. 4873, which provides for the reorganization of all farm credit facilities. Authority for such loans should be continued until a proper study and reorganization of all farm credit facilities can be made.

As you know, under present authority, Federal land banks may make loans up to 65 percent of the normal value of the land. In order to provide for loans in excess of 65 percent, the land bank commissioner is authorized to make loans jointly with Federal land banks and in some cases in high risk areas where Federal land-bank loans cannot be made, he may make the entire loan up to 75 percent of the normal value of the land.

Due to the competition of insurance companies and private banks, almost half of the loans made during the last 6 months of 1945 were joint Federal land bank and commissioner loans. Unless authorization for commissioner loans is continued, many farmers will be unable to obtain any loan in certain areas where lending hazards and many economic situations necessitate the use of commissioner loans alone. Federal land banks cannot make loans in these areas. Higher interest rates may result if commissioner loans are not authorized.

We therefore wish to respectfully urge that the committee amendment be eliminated and that H. R. 6477, as introduced, be approved in order to permit the continuation of authority to make commissioner loans for another 2 years so that the needs of farmers may be adequately served, pending the reorganization of farm credit facilities.

Sincerely yours,

EDW. A. O'NEAL, President.

NATIONAL COUNCIL OF
FARMER COOPERATIVES,
Washington, D. C., June 19, 1946.

HON. JOHN W. FLANNAGAN, JR.,
Chairman, House Committee on
Agriculture, Washington, D. C.

DEAR MR. FLANNAGAN: As you know the life of the Federal Farm Mortgage Corporation terminates with this fiscal year, June 30.

The recent lending reports of the Farm Credit Administration indicate that between one-third and one-half of the current loans now make use of the Federal Farm Mortgage Corporation. Therefore, if this agency is not continued the operation of the Farm Credit Administration will be restricted.

It was our hope a year ago when the Federal Farm Mortgage Corporation was extended for 1 year that during that period some basis could be worked out for handling loans up to 75 or 80 percent of the appraised valuation through the Federal land banks. Obviously this cannot be done now in the short time remaining. Therefore, we recommend that the life of the Federal Farm Mortgage Corporation be extended through June 30, 1946, and that during the interim the Farm Credit Administration be instructed to present to your committee recommendations for a program for integrating the functions of the Federal Farm Mortgage Corporation with the Federal land banks on a self-supporting basis.

Sincerely yours,

JOHN H. DAVIS,
Executive secretary.

FARMERS EDUCATIONAL AND
COOPERATIVE UNION OF AMERICA,
Washington, D. C., June 17, 1946.

JOHN W. FLANNAGAN,
Chairman, House Agricultural
Committee, House Office Building,
Washington, D. C.

DEAR CHAIRMAN FLANNAGAN: The National Farmers Union is strongly in favor of the approval by the committee and the adoption by Congress of H. R. 6477, the bill sponsored by you which would extend through June

30, 1948 the authorization for the making of land-bank-commissioner loans through the Federal Farm Mortgage Corporation. Indeed, we favor the extension of the law covering these loans for a 5-year period, and are inclined to believe that there is a permanent place in the cooperative agricultural credit system for this type of authority.

Of all economic groups, farmers have greatest need for flexibility in their credit system. Commissioner loans were devised in order that they might be available for use in special instances. If it became necessary to attempt to meet such emergency loan needs through the land bank loan, there is no doubt that over a period of years serious losses to the latter system would be entailed. Moreover, without the authority to make loans up to 75 percent of normal value being lodged somewhere in the agricultural credit system, great numbers of farmers would suffer hardships that otherwise they might avoid. We believe that commissioner loans help materially to keep farm ownership in the hands of operators who otherwise would be forced out of agriculture or reduced to the status of tenant or laborer.

The present provisions of law, placed on the statute books in considerable part because of your own efforts, authorize the land banks to make loans up to 65 percent of normal appraised value. But the land banks have not had sufficient experience in operation under this new authority to enable them to determine accurately to what extent this provision can replace commissioner loans. It is our view that there probably always will be need for making a limited number of loans of the type of commissioner loans. At any rate, we believe it is too early to risk dispensing with the authority or curtailing it.

Accordingly, we hope your bill will be approved without amendment.

Sincerely yours,

RUSSELL SMITH,
Legislative Secretary.

WASHINGTON, D. C., June 16, 1946.
Hon. JOHN W. FLANNAGAN,
Committee on Agriculture,
House of Representatives,
Washington, D. C.:

It would be in the public interest for your bill H. R. 6477 as introduced to be enacted into law.

CHARLES W. HOLMAN,
Secretary, National Cooperative Milk
Producers Federation.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

Mr. D'EWART. Mr. Speaker, reserving the right to object, I ask unanimous consent to extend my remarks at this point in the RECORD and include two telegrams.

The SPEAKER. Is there objection to the request of the gentleman from Wyoming?

There was no objection.

Mr. D'EWART. Mr. Speaker, H. R. 6477 in effect ends the operation of the Federal Farm Mortgage Corporation. This Corporation was established in 1933 when the demand for farm mortgage credit far exceeded the funds available. The main purpose of the corporation was to provide funds for the Federal land banks and for commissioner loans to farmers who needed more funds than were possible under Federal land-bank mortgages.

To accomplish this the Corporation was authorized to issue and have outstanding at any one time \$2,000,000,000

of bonds fully and unconditionally guaranteed both as to principal and interest by the United States. The Corporation is further authorized to invest its funds in mortgage loans made in the name of the Land Bank Commissioner, under provision of section 32 of the Emergency Farm Mortgage Act of 1933. The Commissioners' lending authority under this act, as amended, expires July 1, 1946.

In testimony before the subcommittee of the Committee on Appropriations concerning Government corporations, the need for the continuance of this corporation was definitely established. The need is twofold:

First. The Federal land bank cannot make loans of more than 65 percent of the normal agricultural value. The first mortgage commissioner loans are usually made in areas that are considered hazardous and to farmers who cannot qualify for land-bank loans.

Second. The continuance of this corporation is needed so that the corporation can buy Federal land bank bonds when there is not any other market available. It is true the amount of our standing loans has been greatly reduced. The peak of land bank commissioner loans was in 1936 and amounted to \$836,778,547. In December, 1945 these were reduced to \$228,397,216, or 25 percent of the former amount. While this particular type of credit is being curtailed at this time, it was most urgently needed in 1933 when the corporation was set up and the time may come again when these loans will be very seriously needed to carry farm operations through deflation periods, drought periods and other hazards of the farming industry.

I urge, Mr. Speaker, that this resolution be so amended as to permit the continuance of the operation of this corporation.

In support of this plea, I submit two telegrams giving the need of commissioner loans in Montana.

GREAT FALLS, MONT., June 12, 1946.
Congressman WESLEY A. D'EWART,
Washington, D. C.:

Until adjustments permitting greater liberality in land-bank loans are made discontinuance of commissioner loans would be disastrous to land-bank system and would divert business to competitors. Urge defeat of bill to discontinue commissioner loans.

F. F. LYMAN,
President, Rocky Mountain National
Farm Loan Association.

MILES CITY, MONT., June 11, 1946.
Hon. WESLEY A. D'EWART,
House of Representatives,
Washington, D. C.:

Understand that House committee reported out to discontinue commissioner funds as of June 30, 1946. We feel this action if approved by Congress, will work a severe hardship in eastern Montana. Many prospective borrowers can't make the grade on straight loans due to increased costs and the fact that this section of the State was much slower in coming back to normal than other parts of the Nation. Appreciate anything you can do to see that commissioner funds are continued for another year.

RAY BAILEY,
Director Powder River National
Farm Loan Association.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the eleventh sentence of section 32 of the Emergency Farm Mortgage Act of 1933, as amended (title 12, U. S. C., 1016), is amended by striking out "July 1, 1946" wherever it appears therein and inserting in lieu thereof "July 1, 1948."

Sec. 2. The last two sentences of section 3 of the Federal Farm Mortgage Corporation Act, as amended (title 12, U. S. C., 1020b) are amended to read as follows: "The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law. The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary."

Mr. FLANNAGAN. Mr. Speaker, I offer an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. FLANNAGAN: Strike out all after the enacting clause and insert:

"That the eleventh sentence of section 32 of the Emergency Farm Mortgage Act of 1933, as amended (title 12, U. S. C., 1016), is amended by striking out 'July 1, 1946,' wherever it appears therein and inserting in lieu thereof 'July 1, 1947.'"

"Sec. 2. The last two sentences of section 3 of the Federal Farm Mortgage Corporation Act, as amended (title 12, U. S. C., 1020b), are amended to read as follows: 'The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law. The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary.'"

"Sec. 3. The Farm Credit Administration is hereby authorized and directed to make a thorough study of ways and means of making available to the farmers through the Federal Land Bank System loans similar to those now made by the Land Bank Commissioner through the Federal Mortgage Corporation. The study shall be completed as soon as practicable and shall be submitted to the Agricultural Committee of the House of Representatives and Senate Committee on Agriculture and Forestry with recommendations not later than March 1, 1947."

The SPEAKER. The question is on the amendment offered by the gentleman from Virginia [Mr. FLANNAGAN].

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to extend my remarks

at this point in the RECORD and include several letters and telegrams with reference to the necessity of extending this act.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. POAGE] may have permission to extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. POAGE. Mr. Speaker, I believe that the cooperative credit provided by the Federal land-bank system is preferable to any direct Government-lending program. The Land Bank Commissioner loans are direct Government loans of Government money. They served a valuable purpose during the days of depression. These loans were, and were intended to be, inflationary. They are still inflationary. I do not think that it is good judgment to treat our present bad case of inflation with this remedy, helpful as it was during a period of deflation.

I have, therefore, opposed the continuation of the commissioner loans. I still believe that we would be well advised to take the Government out of the direct land-loan business, holding the organization intact for use at a future date if a recurrence of deflationary conditions should make it desirable.

The record of the Houston Land Bank is the best in the Nation. It was the first to repay all the money it owed to the Government. It was the first to become entirely farmer owned. On April 17, 1946, the directors of the Houston bank passed resolutions suggesting the abolishment of the commissioner loans. I quote from the minutes of the directors of that great institution:

The directors entered into a discussion as to the future needs for the lending powers of the Federal Farm Mortgage Corporation. It is the feeling of the directors that, even though this bank now uses commissioner loans, the time has come when we should consider making loans without the aid of this emergency type of lending. Upon motion by Director Denny, seconded by Director Pumphrey, and unanimously carried, the following resolution was adopted:

"Whereas the Federal Farm Mortgage Corporation was established in January 1934, at a time when a severe economic depression had gripped the country; and

"Whereas the availability of these funds has helped thousands of farmers retain their homes and, through the medium of refinancing, make more stable the farm economy as well as that of business institutions; and

"Whereas the credit needs of the country today are not as acute as they were in 1933; Now, therefore, be it

"Resolved, That this board is of the opinion that the emergency period has passed and that we should state to the Texas Representatives in Congress of the United States that it is our opinion that the authority to make commissioner loans should be discontinued after June 30, 1946 in order that the fine record that has been made can be used as an example of the wise use of Government emergency lending in times of distress to the end that such funds may be available again should economic conditions in the future become

so acute as to cause the need for the return of such a Government agency."

Mr. Speaker, 1 year ago the Farm Credit Administration suggested that if we would but allow them one more year, they would be able to wind up these inflationary loans. Now they suggest a 2-year extension. I cannot but believe that such an extension would be to establish them on a permanent basis. I could not support that, but we have today been able to work out an agreement for a 1-year extension with an agreement that the Farm Credit Administration should make a study of methods of turning this business over to the land banks and that such a report should be in the hands of Congress not later than next spring. I believe that this course may well result in a final settlement of this problem, and I shall not, therefore, oppose the measure at this time.

RIGHT OF FILIPINOS AND EAST INDIANS TO BECOME NATURALIZED CITIZENS OF THE UNITED STATES

Mr. LESINSKI. Mr. Speaker, I call up the conference report on the bill (H. R. 3517) to authorize the admission into the United States of persons of races indigenous to India and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of June 25, 1946.)

Mr. MARTIN of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. LESINSKI. I yield to the gentleman from Massachusetts.

Mr. MARTIN of Massachusetts. May I ask the gentleman to explain the conference report?

Mr. LESINSKI. The House had previously passed H. R. 3517, known as the Indian bill, and H. R. 776, known as the Filipino bill. The Senate also passed the two bills. They now find that if the President signs one bill the other bill will be null and void. Senator BALL again brought up H. R. 3517, took a portion of the Filipino bill, H. R. 776, and offered it as an amendment to H. R. 3517, to which the House agreed.

Mr. MARTIN of Massachusetts. Both bills had previously passed the House?

Mr. LESINSKI. Yes.

Mr. Speaker, I move the previous question.

The previous question was ordered.

The conference report was agreed to. A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. BELL (at the request of Mr. Gossett) was given permission to extend his remarks in the RECORD.

Mr. DAUGHTON of Virginia (at the request of Mr. Gossett) was given permission to extend his remarks in the RECORD and include an address by Mr. Nodel.

Mr. BARRETT of Pennsylvania asked and was given permission to extend his remarks in the RECORD.

Mr. LANE asked and was given permission to extend his remarks in the RECORD and include some letters.

Mr. HAYS asked and was given permission to extend his remarks in the RECORD.

Mr. HAVENNER asked and was given permission to extend his remarks in the RECORD and include an editorial appearing in the San Francisco Call-Bulletin.

Mr. MURRAY of Wisconsin asked and was given permission to extend his remarks in the RECORD in two instances, and to include in one an article from the New York Times.

Mr. ANDREWS of New York (at the request of Mr. HANCOCK) was given permission to extend his remarks in the RECORD and include a baccalaureate address by Chancellor Samuel P. Capen of the University of Buffalo on June 2, 1946.

Mr. JENSEN asked and was given permission to extend his remarks in the RECORD in two instances; to include in one an editorial from the Des Moines Tribune, and in the other some figures regarding exports and imports of beef and pork.

Mr. WIGGLESWORTH asked and was given permission to revise and extend the remarks he made today and include several House resolutions, certain extracts from a recent report by the Comptroller General, certain extracts from committee hearings and newspaper articles.

CORRECTION OF THE RECORD

Mr. MURDOCK. Mr. Speaker, I ask unanimous consent to correct an error in the RECORD of June 25. That day I asked and obtained permission to extend my remarks at that point in the RECORD following the action of the House in concurring in the Senate amendment No. 141 to the Interior Department appropriation bill, as that conference report was before this body. My purpose was to insert at that point Resolution No. 11 adopted by the National Reclamation Association at its last meeting in Denver in 1945. Instead, another insertion of remarks of mine on the OPA bill was erroneously placed in the RECORD at that point. I ask that the misplaced insert be removed to that part of the RECORD dealing with the conference report on OPA and inserted on page 7647, or some suitable point prior to the roll call vote No. 173, in the permanent RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arizona?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. JARMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

THE LATE PRESIDENT OF CHILE

Mr. JARMAN. Mr. Speaker, we learn with deep regret of the untimely passing of a distinguished leader of a great people. President Rios of Chile has laid

June
28.

79TH CONGRESS
2D SESSION

H. R. 6477

IN THE SENATE OF THE UNITED STATES

JUNE 28 (legislative day, MARCH 5), 1946

Read twice and referred to the Committee on Banking and Currency

AN ACT

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the eleventh sentence of section 32 of the Emergency
4 Farm Mortgage Act of 1933, as amended (title 12, U. S. C.,
5 1016), is amended by striking out "July 1, 1946" wherever
6 it appears therein and inserting in lieu thereof "July 1,
7 1947".

8 SEC. 2. The last two sentences of section 3 of the
9 Federal Farm Mortgage Corporation Act, as amended (title

1 12, U. S. C., 1020b) are amended to read as follows: "The
2 Federal Farm Mortgage Corporation is authorized to repay
3 to the Secretary of the Treasury on behalf of the United
4 States from time to time such portions of the amounts sub-
5 scribed to the capital stock of the Corporation as are found
6 by the board of directors to be in excess of the capital neces-
7 sary to enable the Corporation to carry out its functions as
8 authorized by law. The proceeds of such repayments shall
9 be held in the Treasury of the United States as a fund avail-
10 able for subscription, by the Governor on behalf of the United
11 States with the approval of the Secretary of the Treasury.
12 to the capital of the Corporation when, in the judgment of
13 the directors of the Corporation, additional subscriptions to
14 its capital are necessary."

15 SEC. 3. The Farm Credit Administration is hereby
16 authorized and directed to make a thorough study of ways
17 and means of making available to the farmers through the
18 Federal Land Bank System loans similar to those now
19 made by the Land Bank Commissioner through the Federal
20 Mortgage Corporation. The study shall be completed as
21 soon as practicable and shall be submitted to the Agricul-
22 tural Committee of the House of Representatives and Senate

- 1 Committee on Agriculture and Forestry, with recommenda-
- 2 tions not later than March 1, 1947.

Passed the House of Representatives June 27, 1946.

Attest:

SOUTH TRIMBLE,

Clerk.

AN ACT

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

JUNE 28 (legislative day, MARCH 5), 1946
Read twice and referred to the Committee on
Banking and Currency

EXTENDING LAND BANK COMMISSIONER LOANS

HEARING
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
SECOND SESSION
ON
H. R. 6477

AN ACT TO AMEND SECTION 32 OF THE EMERGENCY
FARM MORTGAGE ACT OF 1933, AS AMENDED, AND
SECTION 3 OF THE FEDERAL FARM MORT-
GAGE CORPORATION ACT, AS AMENDED,
AND FOR OTHER PURPOSES

JUNE 29, 1946

Printed for the use of the Committee on Banking and Currency



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

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EXTENDING LAND BANK COMMISSIONER LOANS

SATURDAY, JUNE 29, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to call, in room 301, Senate Office Building, Senator Robert F. Wagner, chairman.

Present: Senators Wagner (chairman), Radcliffe, Murdock, Fulbright, Mitchell, Carville, Capper, Millikin, and Capehart.

The CHAIRMAN. The committee will come to order.

We are considering H. R. 6477, which has been passed by the House. (The bill referred to, H. R. 6477, is as follows:)

[H. R. 6477, 79th Cong., 2d sess.]

AN ACT to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the eleventh sentence of section 32 of the Emergency Farm Mortgage Act of 1933, as amended (title 12, U. S. C., 1016), is amended by striking out "July 1, 1946" wherever it appears therein and inserting in lieu thereof "July 1, 1947".

SEC. 2. The last two sentences of section 3 of the Federal Farm Mortgage Corporation Act, as amended (title 12, U. S. C., 1020b) are amended to read as follows: "The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law. The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary."

SEC. 3. The Farm Credit Administration is hereby authorized and directed to make a thorough study of ways and means of making available to the farmers through the Federal Land Bank System loans similar to those now made by the Land Bank Commissioner through the Federal Mortgage Corporation. The study shall be completed as soon as practicable and shall be submitted to the Agriculture Committee of the House of Representatives and Senate Committee on Agriculture and Forestry, with recommendations not later than March 1, 1947.

Passed the House of Representatives June 27, 1946.

Attest:

SOUTH TRIMBLE, Clerk.

The CHAIRMAN. Senator Fulbright I know is interested in this bill.

Senator FULBRIGHT. Mr. Chairman, I do not profess to be any expert on the technical features of this matter—

The CHAIRMAN. May I first read a letter from the American Farm Bureau Federation on this legislation? [Reading:]

WASHINGTON, D. C., June 28, 1946.

Hon. ROBERT WAGNER,

Chairman, Banking and Currency Committee,

United States Senate, Washington, D. C.

DEAR CHAIRMAN WAGNER: On behalf of the American Farm Bureau Federation I wish to recommend the continuation of the authorization for Land Bank Commissioner loans as proposed in the bill, H. R. 6477, which passed the House on June 27, 1946, and which has been referred to the Senate Banking and Currency Committee.

Under present authority, Federal land banks may make loans up to 65 percent of the normal value of the land. In order to provide for loans in excess of 65 percent, the Land Bank Commissioner is authorized to make loans jointly with Federal land banks, and in some cases, in high-risk areas where Federal land bank loans cannot be made, he may make the entire loan up to 75 percent of normal value of the land. The authorization of the Land Bank Commissioner to make such loans expires June 30, 1946. It is very important that this authority be continued so that the needs of farmers may be adequately served.

Unless authorization for Land Bank Commissioner loans is continued, many farmers will be unable to obtain any loan in certain areas where lending hazards and many economic situations necessitate the use of commissioner loans alone. Federal land banks cannot make loans in these areas. Even in those areas where the Federal land bank may make loans, the credit needs of the farmers will not be adequately served if commissioner loans are discontinued. Experience has shown that there is a definite need for farm loans in excess of the maximum loanable by the Federal land banks. Without this supplemental commissioner loan many farmers would be denied the service offered by the Federal land bank of which he is a member through his stock ownership in his local national farm loan association. These farmers should not be forced to go to other sources for their loans.

To limit all loans to an amount not in excess of 65 percent of the normal agricultural value of the land may very seriously impair the Federal land bank system's mortgage credit service to farmers. Without the supplemental commissioner loans there will be a considerable shrinkage in volume of new land bank loans and the absorption of these loans by other lenders. Such decline in the dollar volume of new loans will directly affect the efficiency and effectiveness of the Federal land bank system. If the Federal land banks are to maintain an organization which will remain of sufficient importance in the farm mortgage field to render adequate and effective service to farmers in need of and desirous of the cooperative type of service, it is necessary that the authorization for supplemental loans in excess of 65 percent of normal value be continued.

"With a decline in the volume of loans by the Federal land banks it may be necessary to make a substantial increase in the interest rate to farmers in order to continue the service and pay operating costs.

We believe it would be a serious mistake to discontinue commissioner loans at this time, particularly due to the delay in the enactment of the Flannagan bill, H. R. 4873, which provides for the reorganization of all farm credit facilities. Authority for such loans should be continued until a proper study and reorganization of all farm credit facilities can be made.

I will appreciate it very much if you will include this statement in the hearings of your committee.

Sincerely yours,

EDWARD A. O'NEAL, *President.*

Senator FULBRIGHT. Mr. Chairman, supplementing that, I just talked to Mr. Flannagan, chairman of the Agricultural Committee of the House. He said when the bill came out of committee there was some disagreement, but that on the floor they compromised their disagreements, cut it down from 2 years to 1—I think that was the principal change—with the requirement of a report by March 1, 1947, by the Farm Credit Administration setting out a new program which, I un-

derstand, is to take the place of these commissioner loans, so that this extension is really intended to be for a transitional period, as I understand the situation now.

We have already discussed how the farmers are gradually—in fact, quite rapidly—taking over the ownership of the Federal land banks. I believe there is only one that is not owned now by them, so that it seems to me it is very proper to extend the act for at least a year with that understanding.

Mr. Flannagan said the ones who had opposed it in committee had agreed to it on the floor.

The CHAIRMAN. Do you remember what the controversy involved in the House?

Senator FULBRIGHT. It centered around the time of the extension, I think. That was one point, and the reason, I assume, for the opposition is from those who want private insurance companies, banks, and so forth, to take over this whole field. But the Federal land-bank people want this extra period to adjust their own program to take care of this additional power that is now served by the commissioner loans. It seems to me it is a very reasonable request to grant them that extra time. There will be a full report as to the future program by March 1, 1947.

The CHAIRMAN. I understand the Emergency Farm Mortgage Act of 1933 that handles the Land Bank Commissioner loans—the authorization—will terminate, I think, today.

Senator FULBRIGHT. That is correct. That is why it has to be acted on today, is that it expires tonight—or the 30th—that is tomorrow night, I assume.

The explanation of the significance of these commissioner loans, I think, is best set forth in the report of the House on page 10. There is fairly clear explanation of the reason.

Essentially these are second mortgages to take care of the high risk part of the loan as between 65 and 75 percent of the value of the farm.

The CHAIRMAN. The interest is what?

Senator FULBRIGHT. Five percent on the second, and four percent on the first.

The CHAIRMAN. Well, now, we have a representative here of the organization, or agency.

Can you add anything to what has been stated?

STATEMENT OF J. E. WELLS, JR., DEPUTY GOVERNOR, FARM CREDIT ADMINISTRATION

Mr. WELLS. I had better state who I am first. J. E. Wells, Jr. I am Deputy Governor of the Farm Credit Administration. We had quite extensive hearings in the House and I have considerable material here, and will be happy to answer any questions, of course, that the committee might ask.

The CHAIRMAN. May I ask what was the controversy in the House? I understand it was held up for some time?

Mr. WELLS. On June 30, 1945, Congress increased the lending powers of the Federal land banks from 50 percent of the appraised value of the property and 20 percent of the insured value of the buildings, to 65 percent of the normal agricultural value of the land.

Senator MURDOCK. That is, figuring in the improvements and everything?

Mr. WELLS. Yes, sir; up to a maximum of 65 percent.

Senator MURDOCK. So that the improvements and the land itself are now considered as a agricultural unit?

Mr. WELLS. Yes.

Senator MURDOCK. And on that basis, as I recall the act, we now loan up to 65 percent of the total value; am I right?

Mr. WELLS. Yes, sir; of the normal agricultural value. I should like to emphasize normal agricultural value. We are not lending on the present high farm prices. We are adhering to normal agricultural values, in which the income of that farm over a long period of time is the principal factor to be considered.

We are using the prices of the 1910 to 1914 average; we are using average production figures and average costs, so that we are not loaning on these high present prices. We have always adopted the policy that we should loan conservatively during periods of high prices and loan courageously during the periods of depression and low prices. That has been the policy of the Farm Credit Administration, and we are adhering to it now.

Senator MILLIKIN. What is the limit of the loans you can make?

Mr. WELLS. Of the Federal land banks, up to 65 percent of the normal agricultural value of the farm as a unit. The Land Bank Commissioner can loan up to 75 percent but no loan may exceed \$7,500. Last year we were given the 65-percent authority.

Some people say the land banks should now ask for 75-percent lending authority. The Department of Agriculture and the Governor of the Farm Credit Administration and 11 of the Federal land banks hesitate to recommend that loans up to 75 percent be made at this time. Here is the reason for it:

The land banks are owned by national farm-loan associations, and the associations are owned by farmer borrowers. There are some 1,700 associations in the United States. They own the land banks. Each association operates in only one or a few counties. When farmers get a loan from the land bank, they have to buy 5 percent of that loan in common stock of the association; any losses that are taken fall on the farmer stockholders in these associations which operate in a small territory; the association must endorse each loan made to its farmer stockholders.

We don't think we should risk going up to 75 percent after having only 1 year's experience during a period of very high prices, so we hesitate to recommend 75-percent loans for the Federal land banks at this time.

Senator CARVILLE. Has your experience over that year enabled you to tell whether 65-percent valuation would be practical? Has it worked all right so far?

Mr. WELLS. Sixty-five percent from the safety point of view seems to us to be practical, but from the point of view of serving all the farmers who desire credit from this system we believe if the commissioner loan, which is a second-mortgage loan, between 65 and 75 percent, were eliminated, we would not be able to serve approximately 45 percent of the farmers who are now being served. Further, there are areas where we do not think the land banks should make loans. These areas include new irrigation districts, areas subject to erosion, areas subject to violent changes in farm income, and areas subject to drainage difficulties like in the Mississippi Basin and the Missouri

Valley Basin, but the first mortgage commissioner loans can be made in those areas at 75 percent of the normal value, because its risks are spread over the United States instead of just one small community.

The experience of the Federal Farm Mortgage Corporation has been good, because after going through the period of depression, the Corporation now has about \$50,000,000 of earned surplus, after taking \$62,000,000 in losses; in addition it has a valuation reserve of around \$67,000,000 against outstanding loans. Spreading of the risk makes it possible for that type of corporation operating Nation-wide to take care of areas in which the Federal land banks should not make loans.

Senator MURDOCK. When there is a loss on a commissioner loan, who sustains it?

Mr. WELLS. The Federal Farm Mortgage Corporation sustains that loss. It is a wholly owned Government corporation. Congress set up a revolving fund of \$200,000,000 capital. We have paid back \$150,000,000 of that capital.

Section 2 of this bill permits the Corporation to pay back additional capital when it is able to do so without obtaining the permission of Congress to make each payment.

Formerly we came to Congress each time we desired to pay back capital; we are asking permission to do that from time to time as conditions warrant it without awaiting congressional action.

Senator MILLIKIN. How long are these loans for?

Mr. WELLS. Forty years is permissible. The average land-bank loan however is for about $34\frac{1}{2}$ years—the average time which the farmer uses the loan—because some of them pay them before maturity—is about 23 years. The average contract time is around $34\frac{1}{2}$, and the commissioner loans follow closely these maturity patterns.

Senator FULBRIGHT. There is a big difference between organizations that are Nation-wide and those that are sectional—you cannot spread the risk?

Mr. WELLS. Not only that, but if there is a loss the farmers themselves take the loss, and that is why we are hesitant in taking the full step to 75 percent. We would like to have additional time to study it, but in the meantime in this transition period we believe these farmers who are now being served by commissioner loans should continue to be served.

Senator MURDOCK. The study that you provide for here is for the purpose of determining whether it is feasible for the land banks to take over the Commissioner type of loan and if you decide that is feasible, then I assume that the authority that we are contemplating here will expire at the end of this term.

Mr. WELLS. Yes, sir. We would like to make a study and as the House has indicated, report before March 1947, to see if something can be worked out whereby this can be definitely incorporated into a cooperative system.

The CHAIRMAN. When it comes to this question of the study, the bill provides the study shall be completed as soon as practicable and shall be submitted to the Agricultural Committee of the House of Representatives and Senate Committee on Agriculture and Forestry, with recommendations not later than March 1, 1947. These matters have always been before our committee. I was going to suggest that

we ought to amend that to read the Senate Committee on Banking and Currency.

Mr. WELLS. I didn't see the printed copy of the bill until I came here this morning.

The CHAIRMAN. These matters have always been before this committee. I remember way back when I used to be chairman of a subcommittee on farm credit.

Mr. WELLS. I would assume your committee would want to give consideration to that point.

Senator FULBRIGHT. I think that was just an oversight.

Senator MURDOCK. I move that that be amended, Mr. chairman, to read the Senate Committee on Banking and Currency.

The CHAIRMAN. Those in favor of that may signify by saying "Aye."

(The motion was put to a vote and carried unanimously.)

The CHAIRMAN. This says Federal Mortgage Corporation. That should be Federal Farm Mortgage Corporation; should it not?

Mr. WELLS. Yes, sir.

The CHAIRMAN. We will make that amendment, too, without objection, and insert the word "Farm."

Senator MURDOCK. As I recall, when we were considering the bill you referred to last year, there was only one bank at that time which was jointly owned by the Government and the farmers. What is the present situation?

Mr. WELLS. Well, there were several banks at that time.

Senator MURDOCK. Were there?

Mr. WELLS. Yes, sir. All of the banks have paid back all the Government capital and surplus, except one bank, the St. Paul Land Bank, which has an investment of Government funds. During the year the St. Paul Bank has returned \$75,000,000 to the revolving fund. There is outstanding in the St. Paul Bank about \$77,000,000 in Government capital and surplus. We are endeavoring to follow a schedule which will have that entirely returned within a reasonable time.

Senator MILLIKIN. May I ask what is the issue involved in this—what is the question of decision involved in this bill?

Mr. WELLS. Extending the lending power of the Land Bank Commissioner from July 1, 1946 to July 1, 1947, 1 year.

Senator MILLIKIN. You are not asking for any increased powers?

Mr. WELLS. No, sir—Well, one increased power which we think is entirely noncontroversial, that is, for us to return capital from the Federal Farm Mortgage Corporation to the revolving fund in the Treasury without having to come to Congress every time we want to return some capital.

Senator MILLIKIN. Does that impair any private rights of any kind?

Mr. WELLS. No, sir; it does not.

Senator MURDOCK. There is a string to the capital you return to the Treasury, however, in the bill, and that is that it holds it available in case you need to expand your capital again.

Mr. WELLS. Yes, sir. The Directors of the Federal Farm Mortgage Corporation are the Secretary of the Treasury or a person whom he selects; the Governor of the Farm Credit Administration, and the Land Bank Commissioner. We cannot withdraw capital from the Treasury to increase the capital of this Corporation without the consent of the Secretary of the Treasury. We cannot borrow money from

the Treasury—that is, the Federal Farm Mortgage Corporation cannot—without the approval of the Secretary of the Treasury.

There is one fundamental difference between the Federal Farm Mortgage Corporation and the land bank that I think it is well to bring out here.

The principal source of funds used by the Federal land banks to make these long-term mortgage loans is derived from the sale of consolidated Federal farm loan bonds which are collateralized by first mortgages on farm lands; these bonds are not guaranteed as to principal or interest by the United States. So that is another reason why we are rather cautious about going up to 75 percent at this time. Before we do that we would want to consult with some of our large bond purchasers.

Senator MURDOCK. As I understand, your policy is not to go up to 75 percent unless in the case of a depression?

Mr. WELLS. We would want to feel sure of ourselves. We have the interest of the individual farmers on whom any loss would fall in the Federal land bank system and in the investing public, the purchasers of our bonds. That is why we did not want to go up to 75 percent at this time. We want to study it further. Some day we might feel safe in doing so.

Senator MILLIKIN. You would lose your equity mighty fast in a collapsing market?

Mr. WELLS. Yes.

Senator MILLIKIN. And you are going to have a collapsing market some day.

Mr. WELLS. We have had 30 years' experience in this system. The act was passed in 1916. We have gone through two depressions. Perhaps that makes us somewhat more cautious than we would otherwise be.

Senator MURDOCK. Where are your securities sold?

Mr. WELLS. I would say about 70 percent of them are held by commercial banks at the present time. Our maturities in the refinancing we have done in the last 2 years have been designed to fit into the portfolio of a commercial bank.

Senator MURDOCK. When are the land banks going to do away with that policy and ask for the same privilege as the Federal Reserve System? I have often wondered why the farmers of the country should not be entitled to the same privileges so far as the Government is concerned as the Federal Reserve System. I have asked that question of a good many officials of the Federal land banks.

Mr. WELLS. We have given consideration to that and I think bills have been presented in Congress which would permit several things, one of which is a Government guaranty of land-bank bonds. We have tried to make this system stand on its own feet without such a guaranty.

Senator MURDOCK. Well, but you go right back to the commercial banks of the Federal Reserve System to get the very money they get through an entirely different procedure. I have often wondered why the farmers were not entitled to that same privilege. I hope the land-bank people will give consideration to that and some day come in and ask for it. I would like to see that matter submitted to Congress one of these days.

Mr. WELLS. We have given consideration to the possibility of a deposit system and also bills have been presented in Congress during

the past years for the issuance of currency backed up by mortgages. None of them have been crystallized to the point where they have been presented.

Senator MITCHELL. Has Farm Credit made any recommendations on those bills?

Mr. WELLS. No; not that I remember. Wasn't there a bill introduced by Marvin Jones a number of years ago in which he brought into this system the idea of issuing currency instead of borrowing from the public? I would have to read the legislative history of that, sir, to be able to answer your question fully. I am sorry.

Senator RADCLIFFE. Would you amplify your statement a little bit in regard to your experience in the last depression? Of course, everyone knows that many banks were ruined, insurance companies were, some of them, destroyed, which had guaranteed mortgages, and the experiences of those who held guaranties of mortgages of any kind were most drastic and most serious. You said you had weathered it. How did you get through during those days?

Mr. WELLS. In the land-bank system in 1932, to give you a brief historical sketch of what happened, you remember foreclosures were very frequent and very numerous. In reading some House testimony the other day in regard to the capitalization of the Federal Farm Mortgage Corporation, I ran into this statement. An estimate was made by Dr. Myers, on inquiry, that 50 percent of the farm mortgages in the United States at that time were delinquent. At that time the House committee did not appear to be questioning whether \$200,000,000 capital was too much or whether \$2,000,000,000 borrowing power of the corporation was too much. They asked whether it was not too little.

Senator RADCLIFFE. What did you do with the 50 percent? Did you just carry them along?

Mr. WELLS. No; over the radio and in various types of publicity Farm Credit Administration advised any farmer whose farm was being foreclosed to get in touch with us. We set up an appraisal system within a short period of time in order to handle these foreclosure items and the Federal land banks and the Land Bank Commissioner stepped into the breach and loaned tremendous amounts of money.

It had two effects; the bailing out of the mortgage holders, and giving stability and courage to other people who were holding mortgages; foreclosures were greatly retarded.

Senator RADCLIFFE. The HOLC took over a million or so mortgages.

Mr. WELLS. Yes, sir.

Senator RADCLIFFE. Of course, that helped to take care of the situation in regard to homes. Have you any idea of how many—I started to say unnatural loans—but loans which were not warranted by business conditions at the time, because it was quite obvious there was no values which would warrant any handling of the matter in a normal way—have you any idea of how many of those there were?

Mr. WELLS. Here are some interesting figures. In 1933 the total number of loans made by the land banks and the Land Bank Commissioner was 82,607 for the amount of \$222,446.

Next year, 1934—

Senator FULBRIGHT. What amount? Not \$224,000. Was that millions?

Mr. WELLS. I beg your pardon. \$222,446,000. Now, the next year when we got this machinery in operation we made loans in number 496,501 of \$1,283,499,000.

In 1935 the number of loans was 149,972, in dollar amount \$445,000,000.

Senator MILLIKIN. Was that the peak of your campaign to stop foreclosures?

Mr. WELLS. Yes, sir.

From 1933 to 1945, to give you an idea of the volume of the enterprises, the land banks and the Land Bank Commissioner have made 1,111,000 loans in the amount of \$2,995,000,000. During the periods of high farm income we have encouraged the farmers to pay their debts. We have gone so far as to set up what we call a future payment plan, so that if a farmer has good crops he can put his money into this fund to apply on future installments.

Senator RADCLIFFE. Referring to the loans which you made in that peak year, on what basis did you make them? I mean, what was the amount of those loans in comparison with the face value of the loan at the time?

Mr. WELLS. We didn't go in excess of 50 percent of the normal agricultural value plus 20 percent of the value of the permanent insured improvements on the farm for the land bank loans and not to exceed 75 percent of the normal agricultural value or \$7,500 on any one loan, on the commissioner loans, but we had this experience—

Senator RADCLIFFE. I mean, how could you determine what was 50 or 75 percent at that time?

Mr. WELLS. We tried to appraise on what we called the long-term normal value of the farm. At times during those years we were loaning more money on the farm than the market price of the farm, when land in Illinois and in the best agricultural areas was very much distressed.

Senator RADCLIFFE. You stated how much those 496,000 loans amounted to—one-billion-something; was it not?

Mr. WELLS. Yes.

Senator RADCLIFFE. How did that sum compare with the face value of the mortgages before the loans were made? In other words, how much loss was there?

Mr. WELLS. The accumulated loss for the system?

Senator RADCLIFFE. I mean if you loaned in 496,000 cases a billion or something, whatever the figures were, how does that billion and something, whatever the figures were, compare with the face value of the mortgages?

Of course, in the HOLC the Government didn't loan the face value of the mortgage.

Mr. WELLS. We had a great number of adjustments also.

Senator RADCLIFFE. I don't mean in real actual figures, but can you give me some idea of how it worked out?

Mr. WELLS. I can give you the figures on the conclusions of the Federal Farm Mortgage Corporation operations.

Senator RADCLIFFE. No; what I had in mind, when you made these 496,000 loans for a certain sum of money, for one billion and something, how did that billion compare with the face value of the loans at the time you made them?

In other words, what was the amount of loss there, and who took it?

Mr. WELLS. I would say at that time we did not loan more than 75 percent.

Senator RADCLIFFE. Yes; I realize that, but how did that 75 percent compare with the face value of the mortgage at that time? There was a loss to somebody, obviously.

Mr. WELLS. Yes; we have taken some losses.

Senator RADCLIFFE. I am not talking about the losses you took, but when you took over these loans you didn't take them over for the face value of the loan?

Mr. WELLS. No.

Senator RADCLIFFE. You said you took them over on a 50-percent and a 75-percent basis. Who established the 50- or 75-percent basis, or whatever it was, compared with the face value of the loan at that time? In the case of the HOLC the Government only took them over at some certain basis, irrespective of what might be the amount due on the mortgage at that time. After the Government took over those million sour mortgages on a certain basis they worked them out in a very considered way. Of course, we had a rising market to help us out. It looks like we are not going to lose anything on those mortgages, but I was very much interested in knowing what was your experience, not only after you took them over, but I was interested in knowing on what basis you took them over and what was the official loss to somebody, whoever it was, whenever you took them over.

Mr. WELLS. Debt-compromising committees were established all over the United States. I would say that probably there was some adjustment of the principal of the refinanced loan in 40 to 50 percent of the cases. I don't know of anybody who has ever analyzed these figures or kept a record of them, but I would say that of those 40 to 50 percent of the cases, that maybe there was a downward principal adjustment averaging around 20 to 25 percent.

Senator RADCLIFFE. At the time you took them over?

Mr. WELLS. That is right.

Now, the other 50 percent or 60 percent were, in a number of cases, held by banks and institutions of that kind which had loans outstanding for short periods of time; their depositors were crowding them, so they refinanced their mortgages. So there were undoubtedly a large number of properties on which we made loans on which there was no adjustment, but it was necessary to take them over in order to provide dollars for banks to pay depositors. That is just a horse-back opinion.

Senator RADCLIFFE. We know that in some States efforts to foreclose mortgages were stopped by almost physical force. You know in some cases you could not foreclose a mortgage during that period.

The CHAIRMAN. There were moratoriums.

Senator RADCLIFFE. Well, it was very largely a self-determined moratorium.

The CHAIRMAN. I mean the legislatures passed acts.

Senator RADCLIFFE. They did after awhile, but before they got to it, before that it was more or less action by public opinion.

Senator FULBRIGHT. Mr. Chairman, Mr. Goss, of the National Grange, called and asked me if I would inform the committee that they were strongly in favor of the bill as passed by the House. As far as I

know, and Chairman Flannagan has stated, all the farm organizations are strongly in favor of this bill as passed by the House.

I would like to move that we report it favorably.

Senator MITCHELL. Before we do that, I would like to discuss a problem we have in the Pacific Northwest, in relation to the Columbia Basin development. Congress has just appropriated \$27,000,000 to start work on the Columbia Basin irrigation project. About 6,000 acres of land in the Pasco area will come in in 1947.

I would like to ask what finances are available to the veteran, for instance, who has no money of his own, who purchases that land and seeks to go into the business of farming. Would a Land Commissioner loan be available to him?

Mr. WELLS. Yes, sir; subject to our statutory limitations. Usually in new irrigation districts before the area has been stabilized, as we term it, there are a number of problems in regard to drainage, productivity, costs, et cetera. The national farm-loan associations as a rule do not make loans in such areas until conditions are stabilized.

Senator MITCHELL. And that stabilization period, about what is that; 2 years, 3 years, 4 years, usually, or what?

Mr. WELLS. I would say 2 or 3 years, until we get some experience on it, but in the meantime we have gone into areas of that type with Commissioner loans.

Senator MITCHELL. What is the relation of the Wheeler-O'Connor Act to that?

Mr. WELLS. I am sorry, I am not thoroughly familiar with that. Our people out there are working with the local committees in that area. We try to keep these things decentralized as much as possible, so that our local people can be in close touch with the problems, and I cannot answer your question fully, but I would be very happy to study it and try to be of as much assistance as possible.

Senator MITCHELL. I wonder, Mr. Chairman, if we could have permission, instead of taking the time today, to insert in this hearing later some information on this point.

The CHAIRMAN. Yes; that may be done.

Mr. WELLS. I will be very happy to present it to the committee. This bill you speak of, the—

Senator MITCHELL. The Wheeler-O'Connor Act.

Mr. WELLS. I cannot speak accurately on that without getting some information from the Northwest; I will be very happy to do so.

Senator MITCHELL. It is a very important subject to the whole country, as far as that goes.

The CHAIRMAN. You will present a memorandum to us?

Mr. WELLS. Yes, sir.

(The information to be submitted later, is as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
FARM CREDIT ADMINISTRATION,
Washington 25, D. C., July 17, 1946.

Hon. HUGH B. MITCHELL,

United States Senate, Washington, D. C.

DEAR SENATOR: At the hearings on H. R. 6477, before the Senate Committee on Banking and Currency June 29, 1946, I agreed to furnish information relative to questions raised on the development of the Pasco area of the Columbia Basin project and the availability of loans to veterans who wish to settle in that area. I also agreed to provide information on the relation of the Wheeler-O'Connor Act to the problem of assisting settlers on irrigation projects.

We have obtained information from the Federal Land Bank of Spokane in regard to the Pasco area of the Columbia Basin project and from the Farm Security Administration relative to loans under the authorization of the Wheeler-O'Conner Act and I am pleased to make the following report.

1. PASCO PUMPING UNIT—COLUMBIA BASIN PROJECT

The Pasco pumping unit of the Columbia Basin project, located 6 to 14 miles northwest of Pasco, Franklin County, Wash., comprises 8102 acres of which 5,397 acres are considered irrigable. This unit is a part of the South Columbia Basin project and while it is being developed as an individual pumping unit it will, when the lower part of the project is constructed, receive its water supply from the project and the pumping plant will be discontinued. The possibility of earlier development of this area resulted in an attempt to have water available in 1947 on this unit and make it a demonstration area for the project as a whole. It appears the pumping plant will be completed in the middle of 1947 and that water will be available for the crops in 1948. Ownership of the land is approximately as follows: Northern Pacific Railroad, 2,300 acres; United States Government, 160 acres; private ownership, 5,642.

The soils in the Pasco pumping unit area are generally light in texture and will require a rather high water duty and heavy fertilization. The climatic conditions generally are favorable for a wide variety of crops. The average growing season approximates 200 days with an average temperature of 54°, with yearly precipitation of 10 inches. Crops adapted to the region include a variety of truck crops, mint, potatoes, alfalfa, corn, berries, grapes, and fruits. Dairy and livestock are likely to enter into the farm operations to provide full utilization of potential crop lands. Transportation and marketing facilities are adequate to serve this additional acreage.

The pumping plant is designed to furnish 3½ to 5 feet of water during a season pumped from the Columbia River and delivered to the land. No final determination has been made for the Pasco pumping unit for total construction charges per acre for each class of land. The over-all average construction cost should approximate \$85 per acre, with the lower classes of land being charged considerably below this average and the higher rated classes considerably above. The estimated yearly construction charges, for different land classes, vary from \$0.75 to \$3.75 with the average around \$2.20 based on a 40-year repayment schedule. Operations and maintenance costs will depend somewhat on trends in labor costs, but on the basis of a rough estimate should approximate \$4 to \$4.50 per acre. Total yearly per acre charges for construction, operation and maintenance therefore, are estimated at \$5 to \$8, varying with the land classes.

The lands within this unit are practically all undeveloped sagebrush lands, and irrigation facilities and construction of suitable farm buildings are the major cost items involved, as the appraised value of the land will approximate only \$10 per acre. The Federal Land Bank of Spokane will make its services available to settlers in the Pasco area, or other projects in the Columbia Basin, as soon as individual water deliveries can be made and the success of the project seems assured. Many difficulties of the first settlers on reclamation projects can be avoided if the settlers are given proper engineering and farm-management guidance so that their lands may be cleared and leveled properly at a minimum expense. The Bureau of Reclamation plans to furnish such guidance, and with additional technical assistance from the Department of Agriculture, it seems probable that the Federal land bank in determining the normal value of lands for loans may take into consideration capital improvements which the owner of the land expects to make such as buildings, fences, leveling, and ditches. The Federal Land Bank of Spokane will make every effort possible, within the restrictions under which it operates, to assist veterans who wish to settle in the Pasco area. Federal land-bank loans cannot exceed 65 percent of the appraised normal value of the farm real estate offered as security. The prospective earnings of the farm, over a long period of years, is the basis for determining normal value. Land Bank Commissioner loans, together with all prior mortgages, or other evidences of indebtedness secured by the farm to be mortgaged, may not exceed 75 percent of the appraised normal value of the security offered and are limited to \$7,500 to any one borrower. Veterans with reasonable net worth can be helped by land bank and Land Bank Commissioner loans in acquiring lands and developing farms in the area, but the present limit on the amount of loan in relation to appraised value does not permit the land banks and the Federal Farm Mortgage Corporation to finance

veterans with very limited resources. Land Bank Commissioner loans by the Federal Farm Mortgage Corporation are particularly useful in financing farms in new irrigation areas where the risks in farming are relatively high.

2. THE ACTIVITIES UNDER THE AUTHORIZATION OF THE WHEELER-O'CONNER ACT

The Wheeler-O'Conner Act, Public Law No. 307, Seventy-sixth Congress, chapter 509, first session, approved August 7, 1939, provided:

"That, during the fiscal year of 1940, in order to further cooperation between the Bureau of Reclamation and the Farm Security Administration in the development of farm units on public lands under Federal reclamation projects, the Secretary of the Interior is authorized, in pursuance of cooperative agreements between the Secretary of Agriculture and the Secretary of the Interior, (1) to consider the money or any part of the money made available to settlers or prospective settlers by the Farm Security Administration, as all or a portion of the capital required of such settlers under subsection C of section 4 of the Act of December 5, 1924 (43 Stat. 702); and (2) where such farm units have been or may be improved by means of funds made available by the Farm Security Administration, to require an entryman of any such unit to enter into a mortgage contract with the Farm Security Administration to repay the value of such improvements thereon before any entry is allowed."

Public Law 636, Seventy-sixth Congress, chapter 390, third session, and act approved June 17, 1940, extended the authority to include the fiscal year 1941, but the authorization has not been renewed in subsequent years.

In a memorandum received by the Farm Credit Administration from Mr. Dillard B. Lassiter, Administrator, Farm Security Administration, the following statement is made with reference to the operations of the Farm Security Administration under the Wheeler-O'Conner Act:

"There were approximately 110 loans made under the authorizations of the Act. The majority of the loans were made in Teton and Cascade Counties, Montana, with a small number being made in Fremont County, Wyoming. The proceeds of these loans were used by the borrowers for two purposes: (1) for construction of farm improvements and (2) for some limited land development. A limit of \$4,200 was placed on the amount which could be loaned to any one borrower. The farm improvements included house, barn and other service buildings, domestic water supply, and fencing."

Very truly yours,

J. E. WELLS, Jr., *Deputy Governor.*

The CHAIRMAN. Thank you. Are there any other questions?

(There was no response.)

The CHAIRMAN. A motion has been made by the Senator from Arkansas that we report the bill. Those in favor signify by saying "Aye."

(The motion was put to a vote and unanimously carried.)

Senator FULBRIGHT. Mr. Chairman, may I ask Mr. Wells, what is the status of this act now? Is it necessary that it be passed today, or is it all right to be passed next week?

Mr. WELLS. It would be helpful if it could be passed today. Then we would not have any break in the chain of the lending in the country.

Senator FULBRIGHT. You mean the only significance would be if it was not passed today you could not make the loan tomorrow or next day?

Mr. WELLS. That is right, not after Monday. We probably would have to have the land-bank offices and national farm loan associations hold up on all applications.

The CHAIRMAN. There would be no absolute collapse?

Mr. WELLS. No; but we would have to advise them to stop taking action on applications.

Senator FULBRIGHT. I was wondering about the technical situation on the floor. I don't know what it is over there today.

The CHAIRMAN. It would be some convenience, but not a necessity?

Mr. WELLS. I would think so. We have already advised them that this power expires June 30 and that applications should not be considered after that date—that is, action on applications—I mean July 1. We can make loans through Monday.

Senator FULBRIGHT. Through Monday?

Mr. WELLS. Yes, sir.

Senator FULBRIGHT. If it were passed on Monday—

Mr. WELLS. If it were passed on Monday, I don't think it would be very much inconvenience. Sometimes it takes a delay of 2 or 3 days to make a decision on an application, to be perfectly honest with you.

Senator FULBRIGHT. If we can do it, we will do it today, but I just wanted to know what the situation was.

The CHAIRMAN. I recommend we try to do it today.

Senator FULBRIGHT. Yes; I hope so; but I wanted to know what the effect would be if we couldn't do it.

The CHAIRMAN. It has to be signed by the President, too.

Senator CAPEHART. We are not making any changes—it doesn't have to go to conference; does it?

The CHAIRMAN. Yes; we are making some slight changes, but the House will agree to those, I am sure.

Senator CAPEHART. Oh, yes.

Mr. WELLS. I am sorry I didn't have a print of the bill until I came in this morning.

The CHAIRMAN. We will recess until Tuesday at 10:30.

(Whereupon at 11:30 a. m., an adjournment was taken until Tuesday, July 2, 1946, at 10:30 a. m.)

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31. FARM-LABOR PROGRAM. The Agriculture Committee reported without amendment H. R. 6828, to authorize appropriations for continuation of the farm-labor supply program until June 30, 1947 (H. Rept. 2435)(p. 8131). An appropriation for this item has already been included in H. R. 6885, the third deficiency appropriation bill.
32. PERSONNEL. The Civil Service Committee reported with amendments H. R. 4718, to provide optional retirement for Government personnel who have rendered at least 25 years of service and have been separated from their employment, with a reduced annuity (H. Rept. 2443)(p. 8131).
The Claims Committee reported without amendment H. R. 4720, to provide for payment of claims of Government personnel on account of certain Comptroller General decisions regarding overtime, etc. (H. Rept. 2436)(p. 8131).
33. NAVAL APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 6496 (pp. 8085-91). The Senate has not yet acted on the report.
34. STATE, JUSTICE, COMMERCE, JUDICIARY APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 6056 (pp. 8118-25). The Senate has not yet acted on the report.
35. D. C. APPROPRIATION BILL. Further conferees were appointed on this bill, H. R. 5990 (pp. 8125-6).
36. WAR DEPARTMENT MILITARY APPROPRIATION BILL. Conferees were appointed on this bill, H. R. 6837 (p. 8117).
37. ADJOURNED until Mon., July 1 (p. 8131). The legislative program for ~~this~~ week, as announced by Majority Leader McCormack: Mon., F. D. Roosevelt ceremonies, OPA extension; Tues., consent and private calendars; Wed., railroad retirement; Thurs., no business; Fri. and Sat., British loan (p. 8127).
- SENATE - June 29
38. GOVERNMENT CORPORATIONS APPROPRIATION BILL. Passed with amendments this bill, H. R. 6777 (pp. 8053-5).
Agreed to an amendment by Sen. Taft, Ohio, stating that the types of programs set forth in the 1947 budget of the Commodity Credit Corporation, within the funds available to it, are approved, but the subsidy program shall be subject to the provisions of H. R. 6042, the price-control bill which was vetoed (p. 8053).
Sen. George, Ga., spoke against the provision for a \$3,000,000 TVA fertilizer plant at Mobile, and Sen. McKellar, Tenn., defended the item (pp. 8053-4).
Sens. McKellar, Hayden, Russell, Overton, Thomas of Okla., Brooks, Bridges, and Gurney were appointed Senate conferees (p. 8055).
39. NATIONAL SCIENCE FOUNDATION. Debated S. 1850, to promote the progress of science and the useful arts, to secure the national defense, and to advance the national health and welfare (pp. 8055-8).
40. HOUSING. Sen. Knowland, Calif., deplored the shortage of material to carry on the veterans' housing program (pp. 8058-9).
41. FARM CREDIT. Passed as reported H. R. 6477, to continue Land Bank Commissioner loans, etc. (p. 8059).

42. RECONSTRUCTION FINANCE CORPORATION. Passed as reported S. J. Res. 156, to continue RFC (p. 8059).
43. LABOR-FEDERAL SECURITY APPROPRIATION BILL. Passed with amendments H. R. 6739, this bill (pp. 8060-70). Conferees were appointed (p. 8070).
44. BANKRUPTCY. Passed without amendment H. R. 6682, to amend Secs. 81-3, and repeal Sec. 84, of the Bankruptcy Act (p. 8070). This bill will now be sent to the President.
45. PRICE CONTROL. Sen. Wagner, N. Y., asked permission to introduce a measure to continue the price-control laws until July 20, but Sen. O'Daniel, Tex., objected. Sens. Barkley and others discussed the proposal (pp. 8070-2, 8074-5).
46. NAVAL APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 6496 (pp. 8072-4).
47. FARM CREDIT. Passed without amendment S. 2280, to authorize the Federal Farm Mortgage Corporation to purchase GI loans (p. 8075).
Passed as reported H. R. 5991, the Cooley farm-credit bill, with a committee amendment substituting the language of S. 1507, the Bankhead bill (pp. 8075-6).
48. CONGRESSIONAL REORGANIZATION. Sen. Morse, Oreg., inserted editorials favoring reorganization of Congress (pp. 8078-9).
49. ADJOURNED until Mon., July 1 (p. 8082).

BILLS INTRODUCED - June 29

50. RESEARCH. H. R. 6932, by Rep. Flannagan, Va., a revision of H. R. 6548 (the Flannagan bill) and H. R. 6692 (the Hope bill). To Agriculture Committee.
51. PRICE CONTROL. H. J. Res. 371 (see above), by Rep. Spence, Ky., to continue OPA until July 20. To Banking and Currency Committee.
H. Con. Res. 159, by Rep. Schwabe, Okla., to direct the President to prohibit the exportation of not over 2% of all durable goods produced, processed, or sold under the Price Control and Stabilization Acts. To Banking and Currency Committee. (p. 8132.)
52. ATOMIC ENERGY. H. Res. 688, by Rep. Luce, Conn., for development and control of atomic energy. To Rules Committee. (p. 8132.)

ITEMS IN APPENDIX - June 29

53. FOREIGN RELIEF. Sen. Smith, N. J., inserted an address by Herbert Hoover on world famine (pp. A4011-2).
54. CONGRESSIONAL REORGANIZATION. Rep. Luce, Conn., inserted an editorial favoring reorganization of Congress (p. A4015).
Rep. Woodruff, Mich., inserted editorials favoring congressional reorganization (p. A4028).
55. CHEESE INDUSTRY. Sen. Wiley, Wis., inserted a Holiday Magazine article commending Wis. cheese (pp. A4016-7).
56. HAY. Extension of remarks of Rep. Doyle, Calif., describing the Calif. Hay

mains, however, that the approach was negative rather than positive, as shown by the figures for the remaining 10 percent. "From the remaining 10 percent nearly 50,000 who were convinced that their projects were essential and nondeferable or where stoppage would have resulted in extreme hardship, CPA sifted out 31,457 for approval and denied 14,971. Mr. Small said," the press release continued.

There we have in your words the fact that 31,457 applications for nonhousing construction were approved during the first 11 weeks of CPA control. Construction cost of these projects totals \$1,370,751,048.

"A good part of the approved construction will not begin to draw on the building materials market until 4 to 6 months after the projects were approved, and hence it is not having immediate effect on housing," you are quoted, says the press release of CPA. That weak and vacillating administration of commonly established rules, even though they were written with firm determination, can result in equivocation and frustration is evidence in the building field today. We have agency pitted against agency and legal opinion buffeted against legal opinion. This situation cannot long continue without detrimental effect on the morale of the people, the faith of whom in orderly government must be maintained."

A Government agency much not only follow the letter of the law, but also must be guided by the full spirit of the law. There are none who can truthfully say that it was not the will of the people through the Congress that the green light be given fully to the home-construction program and that it be given first priority. In our opinion, now is the time to get back to fundamentals and to put the building materials where they belong—for the construction of homes for veterans and other homeless people. The chickens have truly "come home to roost" on the doorstep of official Washington. It is time to act. We ask that you fulfill your duties under the law now.

Sincerely,

JACK W. HARDY,
National Commander.

Mr. President, I think the national commander of that organization has put his finger on a very critical situation facing the country. I hope that the Administration, Mr. Wyatt, and Mr. Small will take immediate steps to investigate the charges made by Commander Hardy and his organization, and will do whatever is necessary to expedite the channeling of building materials into homes for veterans, until that problem can be met and solved.

AMENDMENT OF EMERGENCY FARM MORTGAGE ACT AND FEDERAL FARM MORTGAGE CORPORATION ACT

Mr. MURDOCK. Mr. President, I ask unanimous consent, from the Committee on Banking and Currency, to report favorably, with the amendment, House bill 6477, to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes; and I submit a report (No. 1634) thereon.

The PRESIDING OFFICER. Without objection, the report will be received.

Mr. MURDOCK. I have talked with the majority leader [Mr. BARKLEY] and the minority leader, the distinguished Senator from Maine [Mr. WHITE], and they have agreed to the consideration of the bill at this time unless there is ob-

jection on the part of some other Senator. I now ask unanimous consent for the present consideration of the bill.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. GREEN. Mr. President, may I ask what the bill is? I do not recognize it by the number.

Mr. MURDOCK. The purpose of the bill is to extend the authority for 1 year to make Land Bank Commissioner loans. We have been making such loans for a number of years, and it is thought by those who are administering the law that the authority should be extended for an additional year.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Banking and Currency, with amendments, in section 3, on page 2, line 19, after the name "Federal", to insert "Farm"; and on page 3, line 1, after the word "on", to strike out "Agriculture and Forestry" and insert in lieu thereof "Banking and Currency."

The amendments were agreed to.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

EXTENSION OF RECONSTRUCTION FINANCE CORPORATION

Mr. BARKLEY. Mr. President, a few days ago the Senate Committee on Banking and Currency reported Senate Joint Resolution 156, Calendar No. 1545, to extend the succession, lending powers, and the functions of the Reconstruction Finance Corporation. It is necessary to obtain action upon this measure. There is no opposition in the committee. I may say that another appropriation bill will soon be reported, but the report has not yet arrived. It is expected soon. While we are waiting for it, I thought we might dispose of this measure.

Mr. WHITE. Mr. President, did I correctly understand the Senator to say that the joint resolution has the approval of the Committee on Banking and Currency?

Mr. BARKLEY. It has the unanimous approval of the Committee on Banking and Currency.

The PRESIDING OFFICER. The joint resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A joint resolution (S. J. Res. 156) to extend the succession, lending powers, and the functions of the Reconstruction Finance Corporation.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution, which had been reported from the Committee on Banking and Currency with an amendment, on page 2, line 2, after the numerals "1952" and the semi-

colon, to insert "and"; and in the same line, after the word "section", to strike out "5 (d)" and insert in lieu thereof "5d", so as to make the joint resolution read:

Resolved, etc., That, (a) the first sentence of section 4 of the Reconstruction Finance Corporation Act, as amended, is hereby further amended by striking out "for a period of 15 years from the date of the enactment hereof" and inserting in lieu thereof "through June 30, 1952"; and the first sentence of section 14 of the Reconstruction Finance Corporation Act, as amended, is hereby further amended by striking out "at the expiration of the 15 years for which the Corporation has succession hereunder" and inserting in lieu thereof "prior to July 1, 1952"; and (b) section 5d of the Reconstruction Finance Corporation Act, as amended, the act approved January 26, 1937 (50 Stat. ch. 6, p. 5), as amended, and the act approved February 11, 1937 (50 Stat., ch. 10, p. 19), as amended, are hereby further amended by striking out "January 22, 1947" wherever appearing and in each instance inserting in lieu thereof "June 30, 1949."

The amendment was agreed to.

Mr. FULBRIGHT. Mr. President, is this a measure extending the Reconstruction Finance Corporation?

Mr. BARKLEY. Yes.

Mr. FULBRIGHT. For the purpose of the RECORD, I should like to state that unfortunately I was absent attending a conference in Bermuda on the day this measure was considered by the Committee on Banking and Currency. I realize that the RFC will be extended in spite of my views, but I wish to express my own opinion that it is time to consider the liquidation of this agency. I feel that in view of its history and the reasons for its organization in the midst of a depression, it would be entirely proper for us to provide for its liquidation under present conditions. As I have said I was not present when the committee met, and did not register any opposition at that time. However, I feel that it would be a very reassuring gesture to the country if the activities of this agency which should be continued were returned to the Treasury Department and to the Department of Agriculture, and the agency itself discontinued. This would go far to disprove the often repeated statement, that we can never rid ourselves of a bureau or agency, even when the conditions which called it forth have passed. If we should need the RFC again in the future it would be easy to recreate it. In view of the enormous growth of bureaus and the necessity for some curtailment in Government expenditures, it does seem to me that it would be a good thing to liquidate this agency, not only because of its psychological effect but also because it would return to the Treasury substantial assets which are no longer needed for the purposes of the original RFC. This would demonstrate to all that our democratic system is sufficiently flexible to meet emergencies and at the same time is able to avoid the dead hand of an ever-expanding bureaucracy.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the joint resolution.

The joint resolution (S. J. Res. 156) was ordered to be engrossed for a third reading, read the third time, and passed.

RECESS

Mr. BARKLEY. Mr. President, I ask unanimous consent that the Senate stand in recess for an hour.

There being no objection, the Senate (at 12 o'clock and 41 minutes p. m.) took a recess for 1 hour.

On the expiration of the recess the Senate reassembled and was called to order by the President pro tempore.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chafetz, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6496) making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1947, and for other purposes; that the House receded from its disagreement to the amendments of the Senate numbered 1 and 59 to the bill, and concurred therein, and that the House receded from its disagreement to the amendments of the Senate numbered 12, 19, and 62 to the bill and concurred therein, severally with an amendment, in which it requested the concurrence of the Senate.

CALL OF THE ROLL

Mr. BARKLEY. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Hayden	Overton
Andrews	Hill	Pepper
Ball	Hoey	Radcliffe
Barkley	Huffman	Reed
Bridges	Johnson, Colo.	Revercomb
Brooks	Johnston, S. C.	Robertson
Burch	Kilgore	Russell
Bushfield	Knowland	Smith
Byrd	La Follette	Stanfill
Capehart	Lucas	Stewart
Capper	McCarran	Swift
Carville	McClellan	Taft
Chavez	McKellar	Taylor
Donnell	McMahon	Thomas, Okla.
Downey	Magnuson	Tobey
Ferguson	Mead	Tunnell
Fulbright	Millikin	Wagner
George	Mitchell	Wherry
Gerry	Moore	White
Gossett	Morse	Wiley
Green	Murdock	Willis
Guffey	Myers	Wilson
Gurney	O'Daniel	Young
Hart	O'Mahoney	

The PRESIDENT pro tempore. Seventy-one Senators have answered to their names. A quorum is present.

LABOR-FEDERAL SECURITY APPROPRIATION BILL, 1947

Mr. McCARRAN. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside, and that the Senate proceed to the consideration of House bill 6739, making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies, for the fiscal year ending June 30, 1947, and for other purposes.

The PRESIDENT pro tempore. The bill will be stated by title.

The CHIEF CLERK. A bill (H. R. 6739), making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies, for the fiscal year ending June 30, 1947, and for other purposes.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Nevada?

There being no objection, the Senate proceeded to consider the bill (H. R. 6739), which had been reported from the Committee on Appropriations with amendments.

Mr. McCARRAN. Mr. President, the amount of the bill as passed by the House was \$1,136,500,238. The amount of the net increase by the Senate committee was \$14,928,127. The amount carried by the bill as reported to the Senate is \$1,151,428,365. The amount of the appropriations for 1946 was \$1,202,631,586. The amount of the regular and supplemental estimates for 1947, is \$1,178,075,900. The bill as reported to the Senate is under the estimates for 1947 by \$26,647,535, and is under the appropriations for 1946 by \$51,203,221.

Mr. President, I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that the committee amendments be first considered.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The first amendment of the committee will be stated.

The first amendment of the Committee on Appropriations was, under the heading "Title I—Department of Labor—Office of the Secretary," on page 2, line 4, after "District of Columbia", to strike out "\$862,000" and insert "\$937,000."

The amendment was agreed to.

The next amendment was, on page 2, line 8, after the word "services", to strike out "\$925,000" and insert "\$979,645."

The amendment was agreed to.

The next amendment was, on page 3, line 3, after "\$2,000", to strike out "\$695,528" and insert "\$727,104."

The amendment was agreed to.

The next amendment was, on page 3, line 5, after "Department of Labor", to strike out "\$3,137,033" and insert "\$3,170,981."

The amendment was agreed to.

The next amendment was, on page 3, line 15, after "Department of Labor", to strike out "\$652,410" and insert "\$65,782."

The amendment was agreed to.

The next amendment was, under the subhead "Bureau of Labor Statistics", on page 5, line 19, after the word "laws", to strike out "\$4,772,000" and insert "\$5,043,587"; in line 20, after the word "exceed", to strike out "\$3,050,000" and insert "\$3,113,654"; and in line 22, after the word "exceed", to strike out "\$685,913" and insert "\$857,500."

The amendment was agreed to.

The next amendment was, under the subhead "Children's Bureau," on page 7, line 17, after the word "periodicals", to strike out "\$438,535" and insert "\$501,664."

The amendment was agreed to.

The next amendment was, under the subhead "United States Employment Service," on page 13, line 8, after the word "exceed", to strike out "\$10,417" and insert "\$62,500"; in line 9, after the word "exceed", to strike out "\$149,200" and insert "\$895,220"; and in line 11, after "District of Columbia", to strike out "\$17,129,250" and insert "\$34,258,500, and, without limitation upon the availability of other funds for the same purposes, \$11,000,000 for the liquidation of unrecorded and contingent obligations, including the payment of accrued annual leave, arising in connection with the transfer of employment office facilities and services to State operation; in all, \$45,258,500."

The amendment was agreed to.

The next amendment was, on page 15, after line 8, to strike out:

GRANTS TO STATES FOR PUBLIC EMPLOYMENT OFFICES

For payment to the several States, beginning October 1, 1946, in accordance with the provisions of the act of June 6, 1933, as amended to January 1, 1942 (29 U. S. C. 49-491), and for carrying into effect section 602 of the Servicemen's Readjustment Act of 1944, the sum of \$51,387,750: *Provided*, That no State shall be required to make any appropriation as provided in section 5 (a) of said act of June 6, 1933, as amended to January 1, 1942, prior to July 1, 1948.

And insert in lieu thereof:

For grants to States (including Alaska and Hawaii) beginning January 1, 1947, to finance the proper and efficient administration of State-wide systems of public employment offices, in accordance with standards and regulations prescribed by the Secretary of Labor as necessary to carry out this act, title IV of the Servicemen's Readjustment Act of 1944 and the purposes of the act of Congress approved June 6, 1933, as amended (excluding section 5 thereof), and, upon the request of any State, for the payment of rental for space made available to such State in lieu of grants for such purpose, \$34,258,500, of which \$288,500 shall be available to the United States Employment Service for all necessary expenses, including personal services, in connection with the operation of employment office facilities and services in the District of Columbia.

On December 31, 1946, the Secretary of Labor shall transfer, to the State agency in each State designated under section 4 of the act of Congress approved June 6, 1933, as amended, as the agency to administer the State-wide system of public employment offices in cooperation with the United States Employment Service under said act, the operation of State and local public employment office facilities and properties which were transferred by such State to the Federal Government in 1942 to promote the national war effort. The Secretary of Labor may also provide for the transfer and assignment to such State, without reimbursement therefor, of any other public employment office facilities and properties, including records, files, and office equipment: *Provided*, That as a condition to such transfer and assignment of Federal properties, the Secretary may require the recipient State to waive any claim which may then exist or thereafter arise out of the use made by the Federal Government of, or for the loss of or damage to, property and facilities transferred to the Federal Government as hereinabove described.

The Secretary of Labor shall withhold or deny certifications of funds for a State system of public employment offices unless he finds that the State—

(1) (a) has made provision for the transfer to and retention in the State-wide system of public employment offices of employees of

EXTENDING LAND BANK COMMISSIONER LOANS

JUNE 29 (legislative day, MARCH 5), 1946.—Ordered to be printed

Mr. MURDOCK, from the Committee on Banking and Currency,
submitted the following

R E P O R T

[To accompany H. R. 6477]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 6477) to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The purpose of this bill is to extend for an additional year the authority to make Land Bank Commissioner loans to farmers under the Emergency Farm Mortgage Act of 1933, as amended. The authority to make these loans will expire on June 30, 1946, unless it is extended. Land Bank Commissioner loans are made on behalf of the Federal Farm Mortgage Corporation to supplement the activities of the Federal land banks in meeting the credit needs of farmers. Loans made by the Federal land banks may not exceed 65 percent of the normal value of the farm mortgaged. In some instances, farms are not eligible for any loan at all from Federal land banks. Land Bank Commissioner loans are made on the security of second mortgages for amounts in excess of the 65 percent of normal value which may be loaned by the Federal land banks but not in excess of 75 percent of the normal value of the mortgaged property. In other cases, where no loan is made by the Federal land banks, Land Bank Commissioner loans are made on the security of first mortgages.

The type of loans made available by the Land Bank Commissioner are a necessary and desirable part of an adequate farm mortgage system. However, there is considerable doubt as to whether the present arrangements for making such loans are the best that can be made. It is possible that the Federal land banks should be authorized to make loans on a basis which will fill the needs now cared for by commissioner loans. Consequently, section 3 of the present bill directs the Farm Credit Administration to make a thorough study of

ways and means of making available to the farmers through the Federal land bank system loans similar to those now made by the Land Bank Commissioner. This study is to be submitted to the appropriate congressional committees not later than March 1, 1947.

Section 2 of the bill amends section 3 of the Federal Farm Mortgage Corporation Act, as amended, so as to authorize the Federal Farm Mortgage Corporation to return to the Secretary of the Treasury from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the Board of Directors to be in excess of the capital necessary to enable the Corporation to carry out its functions. The proceeds of such repayments are to be held in the Treasury as a fund available for subscription to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary.



79TH CONGRESS
2^D SESSION

H. R. 6477

[Report No. 1634]

IN THE SENATE OF THE UNITED STATES

JUNE 28 (legislative day, MARCH 5), 1946

Read twice and referred to the Committee on Banking and Currency

JUNE 29 (legislative day, MARCH 5), 1946

Reported by Mr. MURDOCK, with amendments; considered, read the third time,
and passed

AN ACT

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the eleventh sentence of section 32 of the Emergency
4 Farm Mortgage Act of 1933, as amended (title 12, U. S. C.,
5 1016), is amended by striking out "July 1, 1946" wherever
6 it appears therein and inserting in lieu thereof "July 1,
7 1947".

8 SEC. 2. The last two sentences of section 3 of the

79TH CONGRESS
2d Session

H. R. 6477

[Report No. 1634]

AN ACT

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

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DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued July 2, 1946
For actions of July 1, 1946
79th-2nd, No. 128

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HIGHLIGHTS: House passed measure to continue price control until July 20. Rep. Rich objected to TVA fertilizer-plant provision in Government corporations appropriation bill. House committee reported social security bill. Rep. Flannagan tried to get concurrency in Senate amendments to Land Bank Commissioner loans bill, but withdrew request at Rep. Martin's request. Senate conferees appointed on Coolidge farm-credit bill. House committee reported S. 1236, mineral-leasing bill. Sens. Kilgore and Smith discussed whether USDA research should be considered in connection with National Science Foundation bill.

HOUSE

1. PRICE CONTROL. Passed without amendment H. J. Res. 371, to continue the Price Control and Stabilization Acts until July 20, 1946, and to provide that Sec. 2 (e) of the Price Control Act, restricting subsidies, shall not apply to CCC and RFC operations until July 20, except that no new subsidy or purchase and sale operations shall be undertaken under the authority of this section and no change shall be made in the basis of any operations existing on June 29, 1946, for which funds are made available under this section which will increase the rate of any subsidy or the rate of loss incurred with respect to any commodity; (by a 283-61 vote (pp. 8175-204)). Rejected the following amendments: By Rep. Dirksen, Ill., to continue these Acts until July 10, 1946; by an 83-166 vote (pp. 8197-9). By Rep. Smith, Va., to continue the Acts until Sept. 1, 1946 (pp. 8198-9). By Rep. Baldwin, N. Y., to continue the Acts until Jan. 20, 1947; (by an 82-168 vote (pp. 8199-200)).
2. GOVERNMENT CORPORATIONS APPROPRIATION BILL. Rep. Whitten, Miss., asked for appointment of House conferees on this bill, H. R. 6777, but Rep. Rich, Pa., objected because Rep. Whitten would not agree to try to bring the TVA fertilizer-plant item back in disagreement (pp. 8174-5).
3. LABOR-FEDERAL SECURITY APPROPRIATION BILL. Reps. Hare, Tarver, Rooney, Neely, Engel of Mich., Keefe, and Andersen were appointed conferees on this bill, H. R. 6739 (p. 8175). Senate conferees were appointed June 29.
4. WAR DEPARTMENT MILITARY APPROPRIATION BILL. Received the conference report on this bill, H. R. 6837 (pp. 8205-6).

5. SOCIAL SECURITY. The Ways and Means Committee reported without amendment H. R. 6911, to amend the Social Security Act and the Internal Revenue Code (H. Rept. 2447)(p. 8207).
6. MINERALS. The Public Lands Committee reported with amendments S. 1236, to promote the development of oil and gas on the public domain (H. Rept. 2446)(p. 8207).
7. FARM CREDIT. Rep. Flannagan, Va., asked for concurrence in the Senate amendments to H. R. 6477, to continue Land Bank Commissioner loans, but withdrew the request temporarily at the suggestion of the minority leader (p. 8206).

SENATE

8. FARM CREDIT. Sens. Thomas (Okla.), Russell, Stewart, Capper, and Aiken were appointed conferees on H.R. 5991, the Cooley farm-credit bill (p. 8133). House conferees have not yet been appointed.
9. PRICE CONTROL. Sen. Barkley, K., inserted the President's and Sen. Taft's (Ohio) radio addresses on the price-control continuation bill (p. 8140-2).
Sen. Capper, Kans., inserted a Wichita (Kans.) C of C telegram favoring H.R. 6042, the price-control bill (p. 8134).
10. RESEARCH. Continued debate on S. 1850, to create a National Science Foundation (pp. 8138, 8142-69). During the debate Sen. Kilgore, W.Va., questioned whether this Department's research program had been checked, and Sen. Smith, N.J., replied that this Department has a definitely "different program" (pp. 8150-1).
11. STATE, JUSTICE, COMMERCE, AND JUDICIARY APPROPRIATION BILL. Agreed to the conference report on this bill H.R. 6056, and agreed to the House amendments to the Senate amendments (pp. 8138-40). This bill will now be sent to the President.
12. FOOD AND AGRICULTURE ORGANIZATION. Agreed to Sen. George's (Ga.) request to remove the secrecy from the protocol transferring the functions and assets of the International Institute of Agriculture to the FAO (pp. 8170-1).

BILLS INTRODUCED

13. RENT CONTROL. S. J. Res. 171, by Sen. Byrd, Va., extending the rent-control provisions of the Emergency Price Control Act until June 30, 1947. To Banking and Currency Committee. (p. 8134.) Remarks of author (p. 8168).
14. FUR IMPORTS. H.R. 6939, by Rep. Byrnes, Wis., restricting importations of mink skins and fox skins, except red-fox skins. To Ways and Means Committee. (p. 8207.) Remarks of author (p. 84039).
15. RENT CONTROL. H.J. Res. 372, by Rep. Wolcott, Mich., reenacting and continuing the effective period of certain provisions of the Emergency Price Control Act in respect to the stabilization of rents for housing accommodations. To Banking and Currency Committee. (p. 8207.)
16. RESEARCH; MARKETING. H.R. 6932 (see Digest 127), in addition to the authorizations contained in H.R. 6548 (the Flannagan research bill), includes the following authorizations for marketing research and services: \$2,500,000 for 1947, an additional \$2,500,000 for 1948, an additional \$5,000,000 for 1949, an addi-

Mr. Rooney with Mr. Engel of Michigan.
 Mr. Holifield with Mr. Corbett.
 Mr. Peterson of Georgia with Mr. LeCompte.
 Mr. McKenzie with Mr. Cole of Kansas.
 Mr. Bulwinkle with Mr. Reece of Tennessee.
 Mr. Daughton of Virginia with Mr. Crawford.
 Mr. Miller of California with Mr. Welch.
 Mr. James J. Delaney with Mr. Rodgers of Pennsylvania.
 Mr. Mansfield of Texas with Mr. Wolfenden of Pennsylvania.
 Mr. Eberharter with Mr. Anderson of California.
 Mr. Rankin with Mr. Bates of Massachusetts.
 Mr. Coffee with Mr. August H. Andresen.
 Mr. Boykin with Mr. Hoffman of Pennsylvania.
 Mr. Powell with Mr. Andrews of New York.

Mr. LARCADE. Mr. Speaker, I have a pair with the gentleman from Missouri, Mr. SLAUGHTER. Had he been present he would have voted "aye." I therefore withdraw my vote of "no," and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

RENT CONTROL

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the present consideration of House Joint Resolution 372, reenacting and continuing the effective period of certain provisions of the Emergency Price Control Act of 1942, as amended, in respect to the stabilization of rents for housing accommodations, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

Mr. SPENCE. Mr. Speaker, reserving the right to object, I cannot conceive how rents could be controlled without the control of other matters over which OPA exercises its powers. Certainly it would be unfair to attempt to control rents unless we attempted to control those things incident to rents and upon which rents are based.

There is a provision with respect to rents in the resolution we have just adopted and when the Committee on Banking and Currency takes up the consideration of OPA we expect to consider the control of rents. I certainly would not be in favor of any bill that did not control rents, because I think it is essential to the welfare of the American people; but I do object to the immediate consideration of this resolution at this time. I hope the matter will be referred to the Committee on Banking and Currency.

The SPEAKER. Objection is heard.

MILITARY ESTABLISHMENT APPROPRIATION BILL, 1947—CONFERENCE REPORT

Mr. KERR filed the following conference report and statement on the bill (H. R. 6837) making appropriations for the Military Establishment for the fiscal year ending June 30, 1947, and for other purposes:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the

amendments of the Senate to the bill (H. R. 6837) "making appropriations for the Military Establishment for the fiscal year ending June 30, 1947, and for other purposes," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2, 4, 11, 13, and 26.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 16, 17, 18, 19, 20, 22, and 25, and agree to the same.

Amendment numbered 5: That the House recede from its disagreement of the amendment of the Senate numbered 5, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$31,000,000"; and the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$2,585,800,000"; and the Senate agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$150,000"; and the Senate agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$597,900,000"; and the Senate agree to the same.

Amendment numbered 9: That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$500,000,000"; and the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$102,000,000"; and the Senate agree to the same.

Amendment numbered 12: That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$375,544,000"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$325,000,000"; and the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$816,044,000"; and the Senate agree to the same.

Amendment numbered 21: That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$425,000,000"; and the Senate agree to the same.

Amendment numbered 23: That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment, insert the following: "to be available until June 30, 1948"; and the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$11,500,000"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 3, 27, and 28.

JOHN H. KERR,
 JOE HENDRICKS,
 MICHAEL J. KIRWAN,
 EMMET O'NEAL,
 LOUIS C. RABAUT,
 FRANCIS CASE,
 HARVE TIBBOTT,
 JOHN TABER,

Managers on the Part of the House.

ELMER THOMAS,
 CARL HAYDEN,
 JOHN H. OVERTON,
 RICHARD B. RUSSELL,
 CHAN GURNEY,
 C. WAYLAND BROOKS,
 CLYDE M. REED,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6837) making appropriations for the Military Establishment for the fiscal year ending June 30, 1947, and for other purposes, submit the following report in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

Amendment No. 1, relating to the appropriation "Contingencies of the Army," appropriates \$14,480,300, as proposed by the Senate, instead of \$10,000,000, as proposed by the House.

Amendment No. 2, relating to the appropriation "Field Exercises," appropriates \$7,000,000, as proposed by the House, instead of \$10,000,000, as proposed by the Senate.

Amendment No. 4, relating to the appropriation "Pay of the Army": Restores the House provision with respect to military personnel engaging with publications of any branch or organization of the Army or military association under certain conditions.

Amendment No. 5, relating to the appropriation "Finance service," appropriates \$31,000,000, instead of \$30,000,000, as proposed by the House, and \$31,578,000, as proposed by the Senate.

Amendment No. 6, adjusts a total.

Amendment No. 7, relating to the appropriation "Horses, draft and pack animals," appropriates \$150,000, instead of \$100, as proposed by the House, and \$200,100, as proposed by the Senate.

Amendment No. 8, adjusts a total.

Amendment No. 9, relating to the appropriation "Transportation service, Army," appropriates \$500,000,000, instead of \$475,000,000, as proposed by the House, and \$524,664,256, as proposed by the Senate.

Amendment No. 10, relating to the appropriation "Signal service of the Army," appropriates \$162,000,000, instead of \$100,000,000, as proposed by the House and \$104,115,112, as proposed by the Senate.

Amendment No. 11, relating to the Appropriation "Air Corps, Army," strikes out the provision proposed by the Senate barring the use of Air Corps appropriations for research in or procurement of rockets or guided missiles which come under the "normal" cognizance of the Ordnance Department.

Amendment No. 12, relating to the appropriation "Engineer Service," appropriates \$375,544,000, instead of \$350,000,000, as proposed by the House, and \$475,544,000, as proposed by the Senate. As to the amount agreed upon, it is the sense of the managers on the part of the House and Senate that the position of the House as expressed in the report of the House Committee on Appropriations on this bill (Report No. 2311) with respect to Tripler General Hospital, T. H., and

the acquisition of land for a hospital at San Juan, P. R., shall prevail.

Amendment No. 13, relating to the appropriation "Military posts," appropriates \$115,500,000, as proposed by the House, instead of \$215,500,000, as proposed by the Senate.

Amendment No. 14, relating to the appropriation "Barracks and quarters, Army," appropriates \$325,000,000, instead of \$300,000,000, as proposed by the House, and \$350,000,000, as proposed by the Senate.

Amendment No. 15, adjusts a total.

Amendment No. 16, relating to the appropriation "Ordnance service and supplies, Army," appropriates \$327,719,000, as proposed by the Senate, instead of \$315,000,000, as proposed by the House.

Amendments Nos. 17 and 18, relating to the appropriation for the National Guard, makes the appropriation available for alterations and additions to present structures, as proposed by the Senate.

Amendment No. 19, relating to the National Board for Promotion of Rifle Practice, Army, appropriates \$281,500, as proposed by the Senate, instead of \$167,000, as proposed by the House.

Amendments, Nos. 20 and 21, relating to government and relief in occupied areas, provides for expenses incident to the operation of schools for American children, as proposed by the Senate, and appropriates \$425,000,000, instead of \$350,000,000, as proposed by the House, and \$500,000, as proposed by the Senate.

Amendments Nos. 22 and 23, relating to "Atomic Service," includes the provision proposed by the Senate providing for the operation of community facilities necessary to the conduct of atomic service activities, and makes the appropriation available until June 30, 1948, instead of until expended, as proposed by the Senate.

Amendment No. 24, relating to printing and binding, appropriates \$11,500,000, instead of \$10,000,000, as proposed by the House, and \$13,000,000, as proposed by the Senate.

Amendment No. 25, relating to Sec. 4 of the bill, strikes out, as proposed by the Senate, the limitation proposed by the House upon expenditures for carrying into effect the provisions of paragraph 8 of Executive Order 9630 of September 27, 1945.

Amendment No. 26, relating to Sec. 20 of the bill, inserted by the Senate, strikes out such section, which pertains to expenditures and reimbursements as regards surplus property.

AMENDMENTS IN DISAGREEMENT

Amendment No. 3, relating to reimbursements for expenses of detailed naval dental officers, and providing that detailed military and naval personnel may be in excess of the numbers otherwise authorized and appropriated for.

The House Managers will move to recede and concur.

Amendment No. 27, providing for a 10 per centum interchange as between appropriations, no appropriation, however, to be increased by more than 10 per centum thereby.

The House Managers will move to insist on disagreement to such amendment.

Amendment No. 28, changing a section number.

Disposition will depend upon action on Amendment No. 27.

JOHN H. KERR,
JOE HENDRICKS,
MICHAEL J. KIRWAN,
EMMET O'NEAL,
LOUIS C. RABAUT,
FRANCIS CASE,
HARVE TIBBOTT,
JOHN TABER,

Managers on the Part of the House.

DISTRICT OF COLUMBIA APPROPRIATION BILL, 1947—CONFERENCE REPORT

Mr. GARY submitted the following conference report and statement on the bill (H. R. 5990) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1947, and for other purposes:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate numbered 1 to the bill (H. R. 5990) "making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1947, and for other purposes," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

The committee of conference report in disagreement amendment numbered 1.

JOHN M. COFFEE,
J. VAUGHAN GARY,
DANIEL J. FLOOD,
KARL STEFAN,
WALT HORAN,
GORDON CANFIELD,

Managers on the Part of the House.

JOSEPH C. O'MAHONEY,
JOHN H. OVERTON,
DENNIS CHAVEZ,
CLYDE R. HOEY,
JOSEPH H. BALL,
HOMER FERGUSON,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate remaining in disagreement to the bill (H. R. 5990) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1947, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended as to such amendment, namely:

Amendment No. 1, relating to the amount of the Federal contribution toward the expenses of the government of the District of Columbia: The House managers will move to recede and concur with an amendment.

JOHN M. COFFEE,
J. VAUGHAN GARY,
DANIEL J. FLOOD,
KARL STEFAN,
WALT HORAN,
GORDON CANFIELD,

Managers on the Part of the House.

AMENDING EMERGENCY FARM MORTGAGE ACT

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 6477) to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes, with Senate amendments, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 19, after "Federal" insert "Farm."

Page 3, line 1, strike out "Agriculture and Forestry" and insert "Banking and Currency."

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, has the gentleman conferred with the minority member of the committee, the gentleman from Kansas [Mr. HOPE]?

Mr. FLANNAGAN. I did.

Mr. MARTIN of Massachusetts. I do not see him here and no one has said anything about it.

Mr. FLANNAGAN. The only change is that we require the Farm Credit Administration—

Mr. MARTIN of Massachusetts. I know nothing about it and I would prefer to know something.

Mr. FLANNAGAN. I thought he had spoken to the minority leader.

Mr. MARTIN of Massachusetts. No; he has not.

Mr. MURRAY of Wisconsin. I may say to the minority leader that the distinguished chairman and two other members of the committee were the only ones who were in favor of continuing this legislation and I am sure that by the agreement made the other day to continue it for 1 year more will take care of the Senate amendments.

Mr. FLANNAGAN. It is only a technical matter.

Mr. MARTIN of Massachusetts. I hope the gentleman will withdraw his request.

Mr. FLANNAGAN. Mr. Speaker, I withdraw my request.

GENERAL LEAVE TO EXTEND REMARKS

Mr. SPENCE. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days in which to extend their remarks on House Joint Resolution No. 371, just passed.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

EXTENSION OF REMARKS

Mr. REED of New York. Mr. Speaker, I received unanimous consent some time ago to extend my remarks in the RECORD and to include an address by William S. Bennet. I am informed by the Public Printer that this will exceed two pages of the RECORD and will cost \$160, but I ask that it be printed notwithstanding that fact.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. JOHNSON of California. Mr. Speaker, several days ago I asked unanimous consent to insert in the RECORD a speech entitled "Top Public Relations Man of 1945." I am informed by the Public Printer that this will exceed two pages of the RECORD and will cost \$240, but I ask that it be printed notwithstanding that fact.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section
(For Department staff only)

Issued July 3, 1946
For actions of July 2, 1946
79th-2nd, No. 129

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HIGHLIGHTS: House passed bill to authorize appropriations to continue farm-labor supply program for 6 months. House sent Government corporations appropriation bill to conference; instructed conferees not to agree to TVA fertilizer plant. House agreed to Senate amendment to bill to continue Land Bank Commissioner loans. Senate committees reported bills to: Provide for 2 more Assistant Secretaries of Agriculture; continue Federal administration of Agricultural Conservation program for 2 years; provide that future peanut allotments and quotas shall be at least as much as in 1941; prohibit 1947 cotton and peanut allotments and quotas; provide for Swan Island animal quarantine station; provide substantive authority for administrative-expense items in Independent Offices Appropriation Act. President approved bill to provide July 5 holiday.

HOUSE

- 1. FARM-LABOR PROGRAM.** Passed without amendment H. R. 6828, to authorize appropriations for continuation of the farm-labor supply program until July 1, 1947 (p. 8286).
- 2. GOVERNMENT CORPORATIONS APPROPRIATION BILL.** Reps. Mahon, Whitten, Gore, Jensen, and Ploeser were appointed conferees on this bill, H. R. 6777 (p. 8310). Senate conferees were appointed June 29.
Agreed, 161-148, to a motion by Rep. Rich, Pa., to instruct the House conferees not to agree to the provision for a \$3,000,000 TVA fertilizer plant (pp. 8300-10). 8269).
- 3. PERSONNEL.** Passed without amendment S. 2335, to authorize department heads to excuse employees on July 5, 1946, if they work an equal number of hours at some other time during the month (pp. 8274-5). This bill was approved by the President later in the day (public-law number not yet available).
- 4. FARM CREDIT.** Agreed to the Senate amendment to H. R. 6477, to authorize continuation of Land Bank Commissioner loans until July 1, 1951; to limit such loans to refinancing for the period July 1, 1946, to July 1, 1951, except as may be otherwise specified by Congressional resolution; and to authorize repayment to the Treasury of capital in excess of that necessary to carry on the functions of the Federal Farm Mortgage Corporation (p. 8270). This bill will now be sent to the President.
- 5. FORESTRY.** Passed without amendment H. R. 6298, to authorize exchange of mineral rights reserved on the Vesuvius watershed in the Little Scioto and Symmes Creek Purchase Units, Ohio, and owned by the Mineral Products Co. and others, for

surface rights of equal value owned by the U. S. in other lands that do not drain into Vesuvius Lake. (pp. 8275-6).

Passed over H. R. 1392, to provide for reseeding forest lands, on the objections of Reps. Kean, Cunningham, and Rich (p. 8273).

6. WAR DEPARTMENT MILITARY APPROPRIATION BILL. Agreed to the conference report on this bill, H. R. 6837 (pp. 8311-6).
7. PRICE CONTROL. Rep. Case, S. Dak., said the increased livestock receipts in the stockyards are "an interesting postscript to some of yesterday's wild alarms" (p. 8269).
Rep. Cole, Mo., inserted telegrams commending elimination of price controls (p. 8272).
Rep. Patman, Tex., spoke in favor of "preventing inflation" and increasing taxes to balance the budget (pp. 8291-2).

SENATE

8. ASSISTANT SECRETARIES OF AGRICULTURE. The Senate Agriculture and Forestry Committee reported without amendment S. 1923, to provide for two additional Assistant Secretaries of Agriculture (S. Rept. 1638) (p. 8211).
9. MARKETING; PEANUTS. The Agriculture and Forestry Committee reported without amendment H.J.Res. 359, to prohibit the proclaiming of marketing quotas on peanuts for the calendar year 1947 or the establishment of National, State, or farm acreage allotments for peanuts for the 1947 crop (S. Rept. 1643) (p. 8211).
The Agriculture and Forestry Committee reported without amendment H.R. 5958, to provide that future marketing quotas and acreage allotments of peanuts for each State shall be at least that for 1941 (S. Rept. 1640) (p. 8211).
10. ANIMAL QUARANTINE. The Agriculture and Forestry Committee reported without amendment H.J.Res. 364, to provide for establishment of an international animal-quarantine station on Swan Island, and to permit the entry therein of animals from any country and the subsequent importation of such animals into other parts of the U.S. (S. Rept. 1644) (p. 8211).
11. AGRICULTURAL CONSERVATION PROGRAM. The Agriculture and Forestry Committee reported without amendment H.R. 6459, to continue Federal Administration of the Soil Conservation and Domestic Allotment Act from Jan. 1, 1947, to Jan. 1, 1949 (S. Rept. 1641) (p. 8211).
12. PERSONNEL; CLAIMS. The Expenditures in the Executive Departments Committee reported without amendment H.R. 6532, to permit department and agency heads to designate disbursing officers to make payments of claims directly to Government employees and former employees for the difference between rates and overtime, leave, and holiday compensation computed at night rates pursuant to Comptroller General decisions (S. Rept. 1645) (p. 8211).
13. COTTON. The Agriculture and Forestry Committee reported without amendment H.J. Res. 336, to prohibit 1947 cotton marketing quotas and acreage allotments (S. Rept. 1642) (p. 8211).
14. ADMINISTRATIVE EXPENSES. The Expenditures in the Executive Departments Committee reported with amendments (H.R. 6533, to provide substantive authority for general provisions now carried in the Independent Offices Appropriation Act on an annual basis, with modifications (S. Rept. 1636) (p. 8211).

House of Representatives

TUESDAY, JULY 2, 1946

The House met at 11 o'clock a. m.
Rev. E. Jerome Winter, pastor of St. Stephen's Church, Washington, D. C., offered the following prayer:

Merciful Father, Saviour of mankind, relying on Thy infinite goodness and infallible promise to assist those who have recourse to Thee, we implore the light and guidance of Thy divine wisdom on these Thy servants, who have assembled here to engage in momentous deliberations calculated to bring peace and happiness to our beloved country in these days when confusion and turmoil as well as inordinate greed for expansion and dominion take possession of the minds of men. Thou, who are the physician of man's soul, heal, we beseech Thee, the evil that torments men; give them grace and strength and courage to continue faithful in the discharge of their duties to Thee and to each other. Illumine their minds to know and understand what is for the best interest of our people and their eternal good.

Bless these, our representatives before the world, that they may be filled with the spirit of Christ and labor earnestly for the spread of His kingdom of peace on earth to men of good will.

Come, O Holy Spirit, fill the hearts of these Thy servants and kindle within them the fire of love and knowledge that they may know how to discern the true from the false and unwaveringly obey the dictates of Thy holy inspirations. O Eternal Father, unite all minds in truth and all hearts in charity. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 5991. An act to simplify and improve credit services to farmers and promote farm ownership by abolishing certain agricultural lending agencies and functions, by transferring assets to the Farmers' Home Corporation, by enlarging the powers of the Farmers' Home Corporation, by authorizing Government insurance of loans to farmers, by creating preferences for loans and insured mortgages to enable veterans to acquire farms, by providing additional specific authority and directions with respect to the liquidation of resettlement projects and rural rehabilitation projects for resettlement purposes, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill; requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. THOMAS of Oklahoma, Mr. RUSSELL,

Mr. STEWART, Mr. CAPPER, and Mr. AIKEN to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6056) entitled "An act making appropriations for the Departments of State, Justice, Commerce, and the Judiciary for the fiscal year ending June 30, 1947, and for other purposes."

The message also announced that the Senate agrees to the amendments of the House to the amendments of the Senate numbered 8, 46, 50, 57, and 74 to the foregoing bill.

EXTENSION OF REMARKS

Mr. SMITH of Wisconsin asked and was given permission to extend his remarks in the RECORD in two instances and include excerpts in each.

Mr. ROBERTSON of North Dakota asked and was given permission to extend his remarks in the RECORD and include a statement from the Conference of Small Business Organizations.

PERMISSION TO ADDRESS THE HOUSE

Mr. ROBERTSON of North Dakota. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from North Dakota?

There was no objection.

[Mr. ROBERTSON of North Dakota addressed the House. His remarks appear in the Appendix of today's RECORD.]

EXTENSION OF REMARKS

Mr. HOEVEN asked and was given permission to extend his remarks in the RECORD and include an article by David Lawrence.

Mr. PLUMLEY asked and was given permission to extend his remarks in the RECORD in three instances and in one instance to include clippings from a newspaper.

Mr. CANFIELD asked and was given permission to extend his remarks in the RECORD and include two telegrams from constituents.

Mr. RICH asked and was given permission to extend his remarks in the RECORD and include an editorial from the Bristol Courier of Friday evening, June 28, entitled "Political Action."

Mr. ROE of Maryland asked and was given permission to extend his remarks in the RECORD and include a news item from the Salisbury Times of Salisbury, Md.

PERMISSION TO ADDRESS THE HOUSE

Mr. CASE of South Dakota. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

LIVESTOCK RECEIPTS AT MIDWESTERN STOCKYARDS

Mr. CASE of South Dakota. Mr. Speaker, a little item received over the ticker in the press gallery provides an interesting postscript to some of yesterday's wild alarms. The dispatch is dated Chicago and reads as follows:

Hogs and cattle poured into major midwestern stockyards today, with early hog receipts at Chicago Stockyards the largest since January 9, 1945. Prices dropped \$2 to \$3 under the high of Monday.

Early hog receipts at Chicago were 19,000, up 15,000 from the previous day and up 18,000 from last Friday, the last full day's operations under OPA ceilings.

Cattle receipts were 9,500, up 7,000 from yesterday and up 8,700 higher than Friday.

Whether the sharp upsurge in receipts will continue was a matter for debate among market experts. It was noted that the early top for hogs was \$16 a hundredweight, about \$2.50 under the best prices of the previous day. The market was slow.

PERMISSION TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

PUTTING THE GOVERNMENT INTO BUSINESS

Mr. RICH. Mr. Speaker, yesterday I objected to a request to agree to a conference on the Government corporations and independent agencies appropriation bill for 1947. My reason was that it seems to me pretty tough that the House of Representatives should be confronted with the situation that it does not have the opportunity to consider the building of a fertilizer plant at Mobile, Ala., at cost of \$3,000,000 or more or the construction of dams by the Tennessee Valley Authority, things that put the Government into business, things whose ultimate outcome is communism. There is no reason why the House of Representatives should not have the opportunity to vote on whether it wants to construct a fertilizer plant or whether it does not. That is the question we should give our attention to today. Private industry can furnish the farmers with all the fertilizer they want at prices cheaper than the Government can do the job. This proposal of the Government going into the fertilizer business is one more step toward communism.

PERMISSION TO ADDRESS THE HOUSE

Mr. STEFAN. Mr. Speaker, I ask unanimous consent to address the House

for 1 minute and to revise and extend my remarks and include a table of my own.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

[Mr. STEFAN addressed the House. His remarks appear in the Appendix of today's RECORD.]

Mr. FLOOD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

ELECTIONS IN POLAND

Mr. FLOOD. Mr. Speaker, the attention of the State Department and of the western nations has been directed in the past 24 hours to the conduct of certain types of elections in Poland under the auspices of the so-called Polish Government. I take this time, Mr. Speaker, to suggest that in view of the fact that, contrary to the Russian suggestion, there has been no civil war in the conduct of these elections, and the Polish people are ready and capable for elections, the time has come for immediate elections to be held in Poland to be known as the parliamentary elections for that Government, so that the people of Poland can indicate by a free election their desire for a democratic form of government.

PERMISSION TO ADDRESS THE HOUSE

Mr. CELLER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

BRITISH BRUTALITIES IN PALESTINE

Mr. CELLER. Mr. Speaker, Britain again shows her true colors. She has closed the Jewish agency and imprisoned four senior Jewish leaders in Palestine, together with 2,000 others. The British Labor Party has raided the Jewish labor office and seized its leaders. Thus British labor compensates Jewish labor.

Britain held De Valera. She held and tortured our own Revolutionary compatriots, but nonetheless the United States and Ireland became independent. She seized Gandhi and Nehru, but her cruelties availed her naught. India's freedom is imminent. The incarceration of Jewish leaders will only cover Britain's hands with the blood of more Jewish martyrs and strengthen the Jewish resistance movement. Britain refuses to learn and profit by history.

The British tear gas and bayonet their way into innocent Jewish settlements and renew black and fan brutalities, as in Ireland. Sir Alan Cunningham, high commissioner, is like the hated General Dyer, and would repeat in Palestine the horrifying Amritsar massacre, as in India.

Britain staged these raids without consultation with our administration and at a time when President Truman's agents were conferring with the British on Pal-

estine. Thus Britain offers insult to our President. She says, in effect, "We will talk to you but do not give a fig for your views. We will scourge and purge the Jews in Palestine, notwithstanding."

EMERGENCY FARM MORTGAGE ACT

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H. R. 6477, an act to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 19, after "Federal", insert "Farm."

Page 3, line 1, strike out "Agriculture and forestry" and insert "Banking and Currency."

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

Mr. HOPE. Mr. Speaker, reserving the right to object, these amendments are merely clerical in their nature?

Mr. FLANNAGAN. Yes.

Mr. HOPE. They in no way affect the merits of the bill?

Mr. FLANNAGAN. They do not in any way affect the merits of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

EMPLOYEES OF THE HOUSE OF REPRESENTATIVES

Mr. ELLIOTT. Mr. Speaker, I offer a privileged resolution (H. Res. 90) from the Committee on Accounts and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That effective February 1, 1946, there shall be paid out of the contingent fund of the House, until otherwise provided by law, additional compensation to the clerk for the minority members of the Committee on Ways and Means at the rate of \$1,000 per annum so long as the position is held by the present incumbent.

The resolution was agreed to.

A motion to reconsider was laid on the table.

ADJUSTING SALARIES OF CERTAIN EMPLOYEES OF THE HOUSE OF REPRESENTATIVES

Mr. ELLIOTT. Mr. Speaker, I offer a privileged resolution (H. Res. 691) from the Committee on Accounts and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That effective July 1, 1946, the Clerk of the House be, and he is hereby, authorized and directed to pay, out of the contingent fund of the House, until otherwise provided by law, additional compensation per annum, payable monthly, to certain employees of the House, as follows:

OFFICE OF THE SERGEANT AT ARMS

Two bookkeepers, the sum of \$120 each; stenographer, the sum of \$150.

Capitol Police force under the Sergeant at Arms: To the three lieutenants, the sum of \$200 each; 1 special officer, the sum of \$200; 5 sergeants, the sum of \$200 each; 64 privates, the sum of \$200 each.

OFFICE OF THE POSTMASTER

To the assistant postmaster, the sum of \$200; 2 registry and money-order clerks, the sum of \$200 each; 40 messengers (including 1 to superintend transportation of mails), the sum of \$200 each.

OFFICE OF THE CLERK

To the enrolling clerk, the sum of \$200; assistant enrolling clerk, the sum of \$400 additional as assistant to the Clerk of the House, in addition to that which he is now receiving, so long as the position is held by the present incumbent; chief bill clerk, the sum of \$260; locksmith and typewriter repairer, the sum of \$240; messenger and clock repairer, the sum of \$160; first laborer, now receiving \$1,440 per annum, the sum of \$160.

OFFICE OF THE DOORKEEPER

To the special employee the sum of \$300; superintendent of the House Press Gallery the sum of \$160; first assistant to the superintendent of the House Press Gallery the sum of \$200; second assistant to the superintendent of the House Press Gallery the sum of \$180; superintendent of the House Radio Press Gallery the sum of \$700; messenger of the House Radio Press Gallery the sum of \$340; chief janitor \$200, so long as the position is held by the present incumbent to be in addition to that now provided by law during the present incumbency; 30 messengers, including 14 on soldiers' roll, the sum of \$160 each; superintendent of the folding room \$200 so long as the position is held by the present incumbent to be in addition to that now provided by law during the present incumbency; foreman of the folding room the sum of \$160; two chief pages the sum of \$420 each, two telephone pages the sum of \$120 each; two floor managers of telephones (one for the minority) the sum of \$220 each, so long as the respective positions are held by the respective present incumbents to be in addition to that now provided by law during the present incumbencies; two assistant floor managers in charge of telephones (one for the minority) the sum of \$400 each; assistant superintendent of the document room the sum of \$440; clerk of the document room the sum of \$280.

SPECIAL AND MINORITY EMPLOYEES

To the one minority employee whose compensation is now prescribed by law at \$3,450 the sum of \$300 and \$50 additional so long as the position is held by the present incumbent to be in addition to that now provided by law during the present incumbency; the two minority employees whose compensation is now prescribed by law at \$3,500 each, the sum of \$300 each; the one minority employee whose compensation is now prescribed by law at \$3,900 the sum of \$200.

OFFICIAL REPORTERS OF DEBATES

To the clerk the sum of \$500; six expert transcribers the sum of \$300 each.

OFFICIAL REPORTERS TO COMMITTEES

To the six expert transcribers the sum of \$300 each.

SEC. 2. That effective July 1, 1946, there shall be paid out of the contingent fund of the House, until otherwise provided by law, compensation at the rate of \$1,260 per annum each for the employment of three additional laborers in the Office of the Doorkeeper.

SEC. 3. That effective July 1, 1946, there shall be paid out of the contingent fund of the House, until otherwise provided by law, an additional sum not to exceed \$5,000 dur-

July
27

[PUBLIC LAW 505—79TH CONGRESS]

[CHAPTER 570—2D SESSION]

[H. R. 6477]

AN ACT

To amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended, and section 3 of the Federal Farm Mortgage Corporation Act, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the eleventh sentence of section 32 of the Emergency Farm Mortgage Act of 1933, as amended (title 12, U. S. C., 1016), is amended by striking out "July 1, 1946" wherever it appears therein and inserting in lieu thereof "July 1, 1947".

SEC. 2. The last two sentences of section 3 of the Federal Farm Mortgage Corporation Act, as amended (title 12, U. S. C., 1020b) are amended to read as follows: "The Federal Farm Mortgage Corporation is authorized to repay to the Secretary of the Treasury on behalf of the United States from time to time such portions of the amounts subscribed to the capital stock of the Corporation as are found by the board of directors to be in excess of the capital necessary to enable the Corporation to carry out its functions as authorized by law. The proceeds of such repayments shall be held in the Treasury of the United States as a fund available for subscription, by the Governor on behalf of the United States with the approval of the Secretary of the Treasury, to the capital of the Corporation when, in the judgment of the directors of the Corporation, additional subscriptions to its capital are necessary."

SEC. 3. The Farm Credit Administration is hereby authorized and directed to make a thorough study of ways and means of making available to the farmers through the Federal Land Bank System loans similar to those now made by the Land Bank Commissioner through the Federal Farm Mortgage Corporation. The study shall be completed as soon as practicable and shall be submitted to the Agricultural Committee of the House of Representatives and Senate Committee on Banking and Currency, with recommendations not later than March 1, 1947.

Approved July 12, 1946.

